The Ontario Securities Commission

OSC Bulletin

February 22, 2002

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The Ontario Securities Commission Administers the Securities Act of Ontario (R.S.O. 1990, c.S.5) and the Commodity Futures Act of Ontario (R.S.O. 1990, c.C.20)

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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

February 22, 2002

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

Unless otherwise indicated in the date column, all hearings will take place at the following location:

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

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David A. Brown, Q.C., Chair	—	DAB
Paul M. Moore, Q.C., Vice-Chair	—	PMM
Howard I. Wetston, Q.C., Vice-Chair	—	HIW
Kerry D. Adams, FCA	—	KDA
Derek Brown	—	DB
Robert W. Davis, FCA	—	RWD
Robert W. Korthals	—	RWK
Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q. C.	—	HLM
R. Stephen Paddon, Q.C.	—	RSP

SCHEDULED OSC HEARINGS

March 5,7, 8, 19,21,22,28, 29/02 9:30 a.m. March 18 & 25, 2002 9:30 a.m. - 1:00 p.m. April 1, 2,4,5, 8, 11,12/02 9:30 a.m. March 12 & 26/02 2:00 p.m. April 9/02 2:00 p.m.	**YBM Magnex International Inc., Harry W. Antes, Jacob G. Bogatin, Kenneth E. Davies, Igor Fisherman, Daniel E. Gatti, Frank S. Greenwald, R. Owen Mitchell, David R. Peterson, Michael D. Schmidt, Lawrence D. Wilder, Griffiths McBurney & Partners, National Bank Financial Corp., (formerly known as First Marathon Securities Limited)** s.127 K. Daniels/M. Code/J. Naster/I. Smith in attendance for staff. Panel: HIW / DB / RWD
February 19, 2002 10:00 a.m.	**ROBERT JAMES EMERSON** s. 127 and 127.1 J. Superina in attendance for Staff Panel: PMM / RSP / MTM
February 21, 2002 10:00 a.m.	**BRIAN K. COSTELLO** s. 127 and 127.1 H. Corbett in attendance for Staff Panel: TBA
February 22, 2002 10:00 a.m.	**RICHARD MILLS** s. 21.7 T. Pratt in attendance for Staff Panel: PMM / RSP / MTM

February 25, 2002
9:30 a.m.

Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein and Robert Topol

s. 127

J. Superina in attendance for Staff

Panel: HIW

February 27, 2002

10:00 a.m.

Rampart Securities Inc.

s. 127

T. Pratt in attendance for Staff

Panel: PMM

March 27, 2002
9:30 a.m.

Frank Smeenk

s. 144

I. Smith in attendance for Staff

Panel: TBA

April 15 - 19, 2002

9:30 a.m.

Sohan Singh Koonar

s. 127

J. Superina in attendance for Staff

Panel: PMM / KDA / RSP

April 22 - 26, 2002
10:00 a.m.

Mark Bonham and Bonham & Co. Inc.

s. 127

M. Kennedy in attendance for staff

Panel: HIW / KDA /

May 1 - 3, 2002
10:00 a.m.

JAMES FREDERICK PINCOCK

s. 127

J. Superina in attendance for staff

Panel: PMM / RSP / HLM

May 6, 2002
10:00 a.m.

Teodosio Vincent Pangia, Agostino Capista and Dallas/North Group Inc.

S. 127

Y. Chisholm in attendance for Staff

Panel: PMM

May 13 - 17, 2002
10:00 a.m.

Yorkton Securities Inc., Gordon Scott Paterson, Piergiorgio Donnini, Roger Arnold Dent, Nelson Charles Smith and Alkarim Jivraj **(Piergiorgio Donnini)**

s. 127(1) and s. 127.1

J. Superina in attendance for Staff

Panel: PMM / KDA /

ADJOURNED SINE DIE

Buckingham Securities Corporation, Lloyd Bruce, David Bromberg, Harold Seidel, Rampart Securities Inc., W.D. Latimer Co. Limited, Canaccord Capital Corporation, BMO Nesbitt Burns Inc., Bear, Stearns & Co. Inc., Dundee Securities Corporation, Caldwell Securities Limited and B2B Trust

DJL Capital Corp. and Dennis John Little

Dual Capital Management Limited, Warren Lawrence Wall, Shirley Joan Wall, DJL Capital Corp., Dennis John Little and Benjamin Emile Poirier

First Federal Capital (Canada) Corporation and Monter Morris Friesner

Ricardo Molinari, Ashley Cooper, Thomas Stevenson, Marshall Sone, Fred Elliott, Elliott Management Inc. and Amber Coast Resort Corporation

Global Privacy Management Trust and Robert Cranston

Irvine James Dyck

M.C.J.C. Holdings Inc. and Michael Cowpland

Offshore Marketing Alliance and Warren English

Robert Thomislav Adzija, Larry Allen Ayres, David Arthur Bending, Marlene Berry, Douglas Cross, Allan Joseph Dorsey, Allan Eizenga, Guy Fangeat, Richard Jules Fangeat, Michael Hersey, George Edward Holmes, Todd Michael Johnston, Michael Thomas Peter Kennelly, John Douglas Kirby, Ernest Kiss, Arthur Krick, Frank Alan Latam, Brian Lawrence, Luke John Mcgee, Ron Masschaele, John Newman, Randall Novak, Normand Riopelle, Robert Louis Rizzuto, And Michael Vaughan

S. B. McLaughlin

Southwest Securities

Terry G. Dodsley

1.1.2 Amendment to IDA Regulation 100.2(f)(i), Relating to Margin Requirements for Listed Securities - Notice of Commission Approval

AMENDMENT TO IDA REGULATION 100.2(f)(i) RELATING TO MARGIN REQUIREMENTS FOR LISTED SECURITIES

NOTICE OF COMMISSION APPROVAL

IDA Regulation 100.2(f)(i) regarding margin requirements for listed securities has been approved by the Ontario Securities Commission. In addition, the Saskatchewan Securities Commission approved, the Alberta Securities Commission did not disapprove and the British Columbia Securities Commission did not object to these amendments. The amendments prohibit Canadian Venture Exchange ("CDNX") securities of companies classified as "Inactive Tier 2" or Tier 3 from being eligible for margin. In addition, the amendments update the margin requirements to reflect changes made to the listing categories and exchange names resulting from the merger of the Vancouver Stock Exchange and the Alberta Stock Exchange. As a result of this merger, the Development Companies and Junior Capital Pool Companies categories were replaced by CDNX's Capital Pool Company category and two tiers of listed companies. A copy and description of the amendments were published on November 9, 2001 at (2001) 24 OSCB6795. No comments were received.

1.1.3 SEDAR Service Charges Lowered

February 22, 2002

SEDAR SERVICE CHARGES LOWERED

Since the System for Electronic Disclosure by Insiders (SEDI) has been taken out of service and is not presently available to issuers and insiders, the increases to the System for Electronic Document Analysis and Retrieval (SEDAR) annual service charges, which came into effect on January 2, 2002, will be cancelled and will be rolled back to pre-SEDI levels in the March 4, 2002 SEDAR code update.

CDS INC. will be issuing refund cheques to filers who have already paid these annual service charges.

For more information, please contact your local SEDAR Customer Service Representative or the CDS INC. Helpdesk at 1-800-219-5381.

1.2 News Releases

1.2.1 OSC Approves Settlement in the Matter of Robert James Emerson

FOR IMMEDIATE RELEASE
February 19, 2002

OSC APPROVES SETTLEMENT
IN THE MATTER OF ROBERT JAMES EMERSON

Toronto - The Ontario Securities Commission (the "Commission") today approved a settlement agreement reached between Staff of the Commission and Robert James Emerson ("Emerson"). The agreement follows an enforcement action initiated on February 11, 2002 in which the OSC Staff alleged that from May 1995 to December 1996 Emerson traded in securities contrary to the prospectus requirement contained in the *Securities Act* (Ontario), and failed to deal fairly, honestly and in good faith with clients, while Emerson was the President and sole trading officer of IPO Capital Corp., then a securities dealer.

The settlement agreement approved by the Commission includes the following sanctions:

- Emerson is prohibited for a period of five years from becoming or acting as an officer of a reporting issuer in Ontario, director of an issuer in Ontario and an officer or director of a registrant or of any issuer which has an interest directly or indirectly in any registrant, except that Emerson may continue in his position as sole officer and director of Erinlee Holdings Inc., a closely held company.

- Emerson is prohibited from trading in securities for a period of five years, with the exception of his current shares in an Ontario company, which Emerson will make efforts to sell, and which he agrees not to use for the purpose of exercising any influence over that company.

- Emerson is reprimanded by the Ontario Securities Commission.

Copies of the Notice of Hearing issued by the Ontario Securities Commission, Statement of Allegations filed by Commission Staff, the Settlement Agreement and the Order made by the Commission are available at **www.osc.gov.on.ca**.

For Media Inquiries:

Frank Switzer
Director, Communications
416-593-8120

Michael Watson
Director, Enforcement Branch
416-593-8156

For Investor Inquiries:

OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.2.2 OSC Proceeding in Respect of Livent Inc. et al. - Adjourned to February 25,2002

FOR IMMEDIATE RELEASE
February 14, 2002

OSC PROCEEDING IN RESPECT OF LIVENT INC. ET AL ADJOURNED TO FEBRUARY 25, 2002

Toronto - The hearing before the Ontario Securities Commission in respect of Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein and Robert Topol, scheduled for February 15, 2002 is adjourned to February 25, 2002 commencing at 10:00 a.m.

Copies of the Notice of Hearing and Statement of Allegations are available at **www.osc.gov.on.ca** or from the Commission, 19th Floor, 20 Queen Street West, Toronto, Ontario.

For Media Inquiries:

Frank Switzer
Director, Communications
416-593-8120

Michael Watson
Director, Enforcement Branch
416-593-8156

For Investor Inquiries:

OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.2.3 Greydanus Management Inc. - Application Approved by OSC

February 15, 2002

Lerner & Associates
80 Dufferin Avenue, P.O. 2335
London, Ontario
N6A 4G4

Attention: James W. Dunlop

Dear Sirs/Mesdames:

Re: Application by Greydanus Management Inc. (the "Applicant") for the approval to act as trustee of the Greydanus American Fund (the "Fund") pursuant to Clause 213(3)(b) of the Loan and Trust Corporations Act (Ontario) (the "LTCA"). - Application 007/02.

Further to an application dated December 17, 2001 and supplemented by letter dated January 16, 2002, (together, the "Application"), filed on behalf of the Applicant and based on the facts set out in the Application, pursuant to the authority conferred on the Ontario Securities Commission (the "Commission") in clause 213(3)(b) of the LTCA, the Commission approves the proposal that the Applicant act as trustee of the Fund.

"Paul M. Moore" "R. Stephen Paddon"

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Algoma Steel Inc. - MRRS Decision

Headnote

Mutual Reliance Review System - relief from the registration and prospectus requirements in connection with a distribution of securities to creditors under a Companies' Creditors Arrangement Act plan of arrangement and reorganization - first trade relief granted, subject to certain conditions - relief from the prospectus requirement for control persons, subject to certain conditions.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., s. 25, 35(1)15.i, 53, 72(1)(i), 74(1).

Applicable Multilateral Instrument

Multilateral Instrument 45-102 - Resale of Securities.

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO AND QUÉBEC

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
ALGOMA STEEL INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec (the "Jurisdictions") has received an application from Algoma Steel Inc. ("Algoma") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Prospectus Requirement") shall not apply to certain trades in connection with a plan of arrangement and reorganization (the "Reorganization") under the Companies' Creditors Arrangement Act (the "CCAA") and section 186 of the Business Corporations Act (Ontario) ("BCA");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the British Columbia Securities Commission is the principal regulator for this application;

AND WHEREAS Algoma has represented to the Decision Makers that:

1. Algoma is organized under the laws of Ontario and is a vertically integrated steel producer located in Sault Ste. Marie, Ontario;

2. Algoma is and has been a reporting issuer (or equivalent) in the Jurisdictions for over 12 months, and is not in default of its requirements under the Legislation;

3. Algoma has a current annual information form for the purposes of National Instrument 44-101 Short Form Prospectus Distributions;

4. the authorized capital of Algoma consists of an unlimited number of common shares (the "Old Common Shares") and 20,000 employee voting shares, issuable in series of which 53,647,656 Old Common Shares and 20,000 employee voting shares were issued and outstanding as at November 27, 2001;

5. the Old Common Shares are listed on The Toronto Stock Exchange but are currently suspended from trading;

6. Algoma is not currently a qualified issuer as defined under Multilateral Instrument 45-102 Resale of Securities ("45-102"), but is an electronic filer under National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR);

7. on April 23, 2001, Algoma obtained an initial order under the CCAA in respect of the Reorganization, which granted protection from its creditors;

8. the plan relating to the Reorganization was filed with the Ontario Superior Court of Justice on November 9, 2001 and was amended and restated on November 30, 2001, December 5, 2001 and December 10, 2001;

9. the holders (the "Noteholders") of Algoma's 12 3/8% First Mortgage Notes due 2005 (the "Algoma Notes") and Algoma's unsecured creditors (the "Unsecured Creditors"), among others, approved the Reorganization and the amended and restated plan;

10. an information circular, containing prospectus level disclosure relating to Algoma and the particulars of the Reorganization, was provided to the Noteholders and a summary version of the information circular was

provided to the Unsecured Creditors along with instructions on how to obtain a complete version if desired;

11. notice was provided to creditors by way of advertisements in the Globe and Mail (National Edition), Algoma News, Sault Star and the Wall Street Journal;

12. shareholder approval of the Reorganization is not required under the CCAA or the BCA;

13. under the Reorganization, the following trades (the "Trades") will occur:

    (a) the Old Common Shares and employee voting shares of Algoma will be cancelled and a new class of common shares of Algoma (the "New Common Shares") will be created;

    (b) existing holders of Old Common Shares will not be entitled to receive New Common Shares;

    (c) the Algoma Notes will be cancelled and the Noteholders will receive a pro rata share of U.S. $125 million in aggregate principal amount of 11% Notes due 2009 (the "11% Notes") and U.S. $62.5 million in aggregate principal amount of 1% Notes due 2030 (the "1% Notes") and 15,000,000 New Common Shares;

    (d) the 1% Notes will be convertible at the option of Algoma or the holder into New Common Shares;

    (e) Unsecured Creditors (except those with Claims aggregating $2,500 or less or that value their Claims at $2,500) will receive a pro rata share of 1,000,000 New Common Shares;

    (e) Algoma employees will receive either an aggregate of 4,000,000 New Common Shares or options to acquire, in the aggregate, 4,000,000 New Common Shares, for nominal consideration, which securities will either be provided to a trustee or to the employees directly (collectively, the "Employees");

14. in certain Jurisdictions, not all of the Trades are exempt from the Registration Requirement and the Prospectus Requirement;

15. Algoma has received conditional listing approval for the New Common Shares from the TSE, subject to certain conditions;

16. based on holdings of Algoma Notes prior to the completion of the Reorganization, it is likely that one or more parties will be control persons (as defined in the Legislation) of Algoma after completion of the Reorganization; and

17. Algoma has been advised that the Reorganization is necessary for it to continue as a going concern and to provide a more favourable result for creditors than liquidation under bankruptcy legislation.

AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that:

1. the Registration Requirement and the Prospectus Requirement shall not apply to the Trades provided that the first trade in any New Common Shares, the 11% Notes or the 1% Notes acquired under this Decision in a Jurisdiction is deemed to be a distribution or a primary distribution to the public under the Legislation of such Jurisdiction unless:

    (a) except in Québec, the conditions in subsections (3) or (4) of section 2.6 of 45-102 are satisfied; and

    (b) in Québec,

        (i) the issuer is and has been a reporting issuer in Québec for the 12 months immediately preceding the trade,

        (ii) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade,

        (iii) no extraordinary commission or consideration is paid to a person or company in respect of the trade, and

        (iv) if the selling shareholder is an insider or officer of the issuer, the selling shareholder has no reasonable grounds to believe that the issuer is in default of securities legislation;

2. except in Quebec, the Prospectus Requirement shall not apply to a distribution by a control person (as defined in the Legislation) provided that the conditions in section 2.8 of 45-102 are met, except that the hold periods in section 2.8(2)(2) and 2.8(3)(2) of 45-102 for the New Common Shares, the 11% Notes or the 1% Notes acquired under this Decision may be satisfied by including the period of time that the control person held the Algoma Notes.

January 21, 2002.

"Brenda Leong"

2.1.2 Richland Petroleum Corporation et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from registration and prospectus requirements in connection to trades made with or subsequent to a proposed plan of arrangement under the Business Corporations Act (Alberta). One of the parties deemed to be a reporting issuer as of the effective time of the arrangement.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 53, 72(1)(i), 74(1), 83.1.

Applicable Multilateral Instruments

Multilateral Instrument 45-102, s. 2.6, 2.8.

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC, NOVA SCOTIA, NEW BRUNSWICK, PRINCE EDWARD ISLAND AND NEWFOUNDLAND AND LABRADOR

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
RICHLAND PETROLEUM CORPORATION, TERRAQUEST ENERGY CORPORATION, PROVIDENT ENERGY LTD. AND PROVIDENT ENERGY TRUST

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland (the "Jurisdictions") has received an application from Richland Petroleum Corporation ("Richland"), Terraquest Energy Corporation ("Terraquest") and Provident Energy Trust (the "Trust") (collectively, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that:

(a) the requirements contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a prospectus (the "Registration and Prospectus Requirements") shall not apply to certain trades made in connection with or subsequent to a proposed plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta) (the "ABCA") involving Richland, Terraquest, the Trust and Provident Energy Ltd. ("Provident"); and

(b) in the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Québec, provided that such provinces' securities laws contain the concept of a reporting issuer or the equivalent, Terraquest shall be deemed to be a reporting issuer as of the effective time of the Arrangement;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the Alberta Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. Richland is a corporation incorporated under the ABCA and is headquartered in Calgary, Alberta;

2. Richland is a junior oil and natural gas exploration and production company engaged in exploration for crude oil and natural gas in the Western Canada Sedimentary Basin and in the East Lost Hills area of California. Conducting its Canadian activities primarily in Saskatchewan and Alberta, Richland initiates and operates the majority of its prospects, maintaining a high working interest in all new operations;

3. the authorized capital of Richland consists of an unlimited number of common shares ("Common Shares"), of which, as at the date hereof, 26,772,586 Common Shares are issued and outstanding. In addition, as at the date hereof, 2,207,007 Common Shares have been reserved for issuance on exercise of outstanding stock options;

4. Richland is, and has been for a period of time in excess of 12 months, a reporting issuer (where such concept exists) under the securities legislation of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. To the best of its knowledge, information and belief, Richland is not in default of any requirements of the securities Legislation of the Jurisdictions in which it is a reporting issuer;

5. the Common Shares are listed and posted for trading on The Toronto Stock Exchange (the "TSE") under the symbol "RLP";

6. the Trust is an open and unincorporated investment trust created under the laws of Alberta pursuant to the Provident Trust indenture dated as of January 25, 2001 as amended as of March 5, 2001 between Montreal Trust Company of Canada and Founders Energy Ltd. (the "Provident Trust Indenture"). The beneficiaries of the Trust are the holders of trust units of the Trust ("Unitholders"). The head and principal offices of the Trust are located at 900, 606 - 4th Street S.W., Calgary, Alberta, T2P 1T1. The registered office of the Trust is 3700, 400 - 3rd Avenue S.W., Calgary, Alberta, T2P 4H2;

7. the Trust is a reporting issuer (where such concept exists) in each of the provinces of Canada and is a "qualifying issuer" as defined under Multilateral Instrument 45-102 *Resale of Securities* ("MI 45-102");

8. the Trust is authorized to issue an unlimited number of trust units ("Trust Units"). As at November 26, 2001, there were 17,022,321 Trust Units issued and outstanding;

9. the Trust was established to acquire and hold, directly and indirectly, interests in petroleum and natural gas properties. Cash flow from the properties is distributed from Provident to the Trust by way of royalty payments, interest payments and principal repayments on promissory notes issued by Provident to the Trust. Distributable cash generated by the royalties, interest and principal repayments is then distributed monthly to Unitholders;

10. the Unitholders will continue to be entitled to the entire economic interest in Provident (after the proposed amalgamation with Richland), as a wholly-owned subsidiary of the Trust, upon the Arrangement being completed;

11. The attributes of the Trust Units are as follows:

    (i) each Trust Unit represents an equal fractional undivided beneficial interest in any distribution by the Trust (whether of net income, net realized capital gains or other amounts) and in any net assets of the Trust in the event of termination or winding-up;

    (ii) Trust Units shall rank among themselves equally and rateably without discrimination, preference or priority;

    (iii) Unitholders are not subject to any liability whatsoever to any person in connection with the assets, the obligations or the affairs of the Trust or with respect to any act performed by the trustee of the Trust;

    (iv) Unitholders are entitled to receive a proportionate share of the net income, net realized capital gains or other amounts of the Trust to be distributed on a monthly basis;

    (v) the Trust Units have no restrictions on transfer and are listed on The Toronto Stock Exchange (the "TSE") under the symbol "PVE.UN" and the American Stock Exchange (the "AMEX") under the symbol "PVX";

    (vi) the Trust Units are redeemable at the option of the holder from time to time and at any time either in cash or by the distribution of a note instrument having an aggregate principal amount equal to the amount of cash such redeeming holder of Trust Units would otherwise be entitled to; and

    (vii) annual meetings of the Unitholders (with the Unitholders being entitled to one vote per Trust Unit) shall be held each year at which the trustee shall be appointed, auditors shall be appointed and other matters requiring approval of Unitholders shall be put forward for approval as may be required from time to time;

12. to the best of its knowledge, information and belief, the Trust is not in default of any requirements under the Legislation;

13. Provident is a corporation wholly-owned by the Trust. Provident, was incorporated under the ABCA on January 17, 2001 and was amalgamated with Founders Energy Ltd. pursuant to a statutory plan of arrangement. Provident was amalgamated with Maxx Petroleum Ltd. effective May 25, 2001 pursuant to a statutory plan of arrangement. It is anticipated that as the final step in the Arrangement, Provident will amalgamate with Richland and continue under the name "Provident Energy Ltd." The head and principal offices of Provident are located at 900, 606 – 4th Street S.W., Calgary, Alberta, T2P 1T1. The registered office of Provident is 3700, 400 – 3rd Avenue S.W., Calgary, Alberta, T2P 4H2. The principal business of Provident is to manage and administer the operating activities associated with the oil and gas properties in which it has an interest;

14. Terraquest is a corporation incorporated under the ABCA and is headquartered in Calgary, Alberta.

15. Terraquest has not conducted any business to date, except for the entering into of an arrangement agreement with Richland, Provident and the Trust. After giving effect to the Arrangement, the properties currently owned by Richland located at Bow Island, Firebird, McLeans Creek, Eyremore, and Whitecourt, Alberta (collectively, the "Terraquest Properties"), will be transferred to Terraquest.

16. the authorized capital of Terraquest consists of an unlimited number of common shares ("Terraquest Shares"), an unlimited number of first preferred shares and an unlimited number of second preferred shares of which, as at the date hereof, one Terraquest Share is issued and outstanding and such Terraquest Share is held by Richland;

17. Terraquest is not a reporting issuer in any jurisdiction;

18. Terraquest will apply to list the Terraquest Shares on either the TSE or the Canadian Venture Exchange Inc.

19. the proposed directors and officers of Terraquest are listed in Appendix E to the Information Circular of Richland (the "Information Circular");

20. on November 26, 2001, Richland and the Trust announced the intention, by way of the Arrangement, to transfer the Terraquest Properties to Terraquest and then to combine the remaining business of Richland with Provident;

21. under the terms of the Arrangement, the Richland shareholders will exchange their Common Shares for Trust Units and Terraquest Shares on the basis of 0.40 Trust Units and one Terraquest Share for each Common Share held;

22. Terraquest intends to issue approximately 9,500,000 Terraquest Shares to investors, including certain directors and officers of Richland and associates of them, a portion of which will be issued as "flow-through" shares, and will be issued at a price per share determined by the Terraquest Board of Directors but will not be less than the weighted average trading price of the Terraquest Shares for the first five trading days following the listing of the Terraquest shares on the TSE;

23. the Arrangement consists of a number of steps and trades as set out in the Plan of Arrangement, which was appended to the Information Circular, none of which will be effective unless all are effective;

24. the Arrangement provides for the following transactions to occur:

A) all Common Shares, other than Common Shares owned by dissenting shareholders ("Dissenting Shares") owned by non-residents of Canada within the meaning of the *Income Tax Act of Canada* ("Tax Act") shall be transferred to Provident (free of any claims) and such Richland Common shareholders ("Richland Shareholders") shall receive acquisition notes ("Acquisition Notes") and Terraquest Shares from Provident on the basis of the Per Share Principal Amount (as defined in the Information Circular) of Acquisition Notes and one Terraquest Share for every one Common Share and such Terraquest Shares shall be delivered by Provident to such Richland Shareholders upon the completion of the event referred to in subsection (f) below;

B) with respect to Common Shares acquired by Provident from the non-resident holders:

(1) the non-resident holders of such Common Shares shall cease to be holders of such Common Shares and such non-resident holders shall be removed from the register of Common Shares with respect to such Common Shares;

C) Provident shall and shall be deemed to be, the transferee of all such Common Shares (free of any claims) and shall be entered in the register of Common Shares; and

D) there shall be deemed to be issued to each such holder an aggregate principal amount of Acquisition Notes equal to the number of Common Shares previously held by such holder multiplied by the Per Share Principal Amount and such holder's name shall be added to the register of Acquisition Notes and the share certificate representing Common Shares shall represent such principal amount of Acquisition Notes after the above described transfer;

E) the articles of Richland shall be amended to change its authorized capital by the addition of an unlimited amount of Class A Shares and Class B Shares;

F) the articles of Richland shall be amended such that each of the issued and outstanding Common Shares (other than Dissenting Shares) shall and shall be deemed to be changed into one Class A Share and one Class B Share;

G) Richland shall sell the Terraquest Properties to Terraquest in accordance with the Purchase and Sale Agreement, pursuant to which Terraquest shall issue to Richland as consideration for the Terraquest Properties such number of Terraquest Shares which when added to Terraquest's then issued and outstanding shares shall be equal to the total number of Class B Shares issued and outstanding immediately after the change referred to in subsection (d) above;

H) Richland shall redeem all of the issued and outstanding Class B Shares in consideration of the transfer to the holders thereof of one Terraquest Share for each Class B Share redeemed;

I) each issued and outstanding Class A Share (other than those held by Provident), shall be and shall be deemed to be, exchanged with Provident for Acquisition Notes on the basis of the Per Share Principal Amount of Acquisition Notes for every one Class A Share;

J) the Acquisition Notes shall be, and shall be deemed to be, exchanged with the Trust, without recourse, resulting in the acquisition by the Trust, free of any claims, of all of the Acquisition Notes and the acquisition by the holders of Acquisition Notes, free of any claims, of Trust Units, on the basis of 0.40 Trust Units for each Per Share Principal Amount of Acquisition Notes;

K) in lieu of fractional Trust Units each holder of a Class A Share who would otherwise be entitled to receive a fractional Trust Unit shall be paid by the Trust an amount equal to the product of (a) such fraction multiplied by (b) $9.50, such amount shall be provided to a depositary ("the Depositary") by the Trust upon request in full satisfaction of such fractional entitlement;

L) the trades and distributions of securities in this paragraph are defined as the "Trades";

25. if the effective date ("Effective Date") shall not occur on a date which results in the shareholders of Richland being unitholders of the Trust of record for the purposes

of receiving the Trust's January 2002 cash distribution (such record date being anticipated to be on or about January 31, 2002) each Richland shareholder shall receive, in addition to the 0.40 of a Trust Unit and 1 Terraquest Share, a cash payment for each Common Share of 0.40 multiplied by the per Trust Unit amount of the January cash distribution payable by the Trust;

26. Richland and Provident shall be amalgamated and continue as one corporation under the name of "Provident Energy Ltd.";

27. the Information Circular has been provided to all shareholders and filed in the Jurisdictions and contains prospectus level disclosure of Richland, Terraquest, Provident and the Trust;

28. the Board of Directors of Richland has determined that the Arrangement is fair to the holders of Common Shares, that the Arrangement is in the best interests of Richland and the holders of Common Share and has resolved to unanimously recommend that the holders of Common Shares vote in favour of the Arrangement. The Board of Directors of Richland has also received an opinion from Griffiths McBurney & Partners, its financial advisors, that the Arrangement is fair, from a financial point of view, to the holders of Common Shares who vote in favour of the Arrangement;

29. the Terraquest Properties have been the subject of continuous disclosure on an ongoing basis for more than 12 months pursuant to Richland's responsibilities as a reporting issuer;

30. the shareholders will have the right to dissent from the Arrangement under Section 184 of the ABCA, the Information Circular will disclose full particulars of this right in accordance with applicable law;

31. the Arrangement is subject to both shareholder approval and the approval of the Court of Queen's Bench of Alberta;

32. exemptions from registration and prospectus requirements of the Legislation in respect of the Trades, and exemptions from prospectus requirements of the Legislation in respect of the first trades in Terraquest shares and Trust Units following the Arrangement, are not otherwise available in all Jurisdictions;

33. Terraquest will not be a reporting issuer within the definitions of all of the applicable Jurisdictions at the time of the Arrangement becoming effective.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

The Decision of the Decision Makers under the Legislation is that the Registration and Prospectus Requirements shall not apply to the Trades made in connection with the Arrangement, provided that the first trade in Terraquest Shares and Trust Units acquired pursuant to this Decision in a Jurisdiction shall be deemed to be a distribution or primary distribution to the public under the Legislation of such Jurisdiction (the "Applicable Legislation") unless

(i) except in Québec, the conditions in subsections (3) or (4) of section 2.6 and subsections (2) or (3) of section 2.8 (except for the requirement that Terraquest have been a reporting issuer for 12 months) of MI 45-102 Resale of Securities are satisfied; and

(ii) in Québec,

(a) the issuer is a reporting issuer in Québec immediately preceding the trade,

(b) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade,

(c) no extraordinary commission or consideration is paid to a person or company in respect of the trade, and

(d) if the selling shareholder is an insider or officer of the issuer, the selling shareholder has no reasonable grounds to believe that the issuer is in default of securities legislation.

AND WHEREAS the Decision of the Decision Makers under the Legislation is that: in the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Québec where an issuer can be deemed to be a reporting issuer or the equivalent under such provinces' securities laws, Terraquest shall be deemed to be a reporting issuer as of the effective time of the Arrangement.

January 16, 2002.

"Stephen P. Sibold" "Glenda A. Campbell"

2.1.3 Fidelity Investments Canada Limited and Valspar Inc. - MRRS Decision

Headnote

MRRS Decision

Mutual fund dealer exempted from the Dealer Registration Requirement of the Legislation of the Jurisdictions for trades of common shares made by a mutual fund dealer, in its capacity as a group plan administrator of an employee retirement savings program of a corporation, for, or on behalf of, employees, former employees, spouses of employees, spouses of former employees, the DCPP, Employee LIRAs, employee RRSPs and employee spouse RRSPs, subject to certain terms and conditions.

Director's Decision

Relief from "suitability" requirement in paragraph 1.5(1)(b) of OSC Rule 31-505, pursuant to section 4.1 of OSC Rule 31-505, that would otherwise arise as a result of the group plan administrator purchasing or selling common shares for, or on behalf of, the above-mentioned persons, subject to the above-mentioned persons receiving a corresponding acknowledgment or having been sent a corresponding notice and the group plan administrator not making any recommendation or giving any investment advice regarding the purchase and sale of common shares of the corporation.

Applicable Ontario Statute

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25 and 74(1).

Applicable Ontario Securities Commission Rule

Rule 31-505 "Conditions of Registration" (1999) 22 O.S.C.B. 731, ss. 1.5 and 4.1.

IN THE MATTER OF
THE CANADIAN SECURITIES LEGISLATION
OF ALBERTA AND ONTARIO

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
FIDELITY INVESTMENTS CANADA LIMITED
AND
VALSPAR INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta and Ontario (the "Jurisdictions") has received an application from Fidelity Investments Canada Limited ("Fidelity") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement (the "Dealer Registration Requirement") in the Legislation that prohibits a person or company from trading in a security unless the person or company is registered in the appropriate category of registration under the Legislation shall not apply to certain trades in shares ("Common Shares") of common stock of Valspar Corporation ("Valspar U.S.") to be made by Fidelity for, or on behalf of, persons that are Employees, Spouses, Former Employees, Former Employees' Spouses, the DCPP, Employee RRSPs, Employee Spouse RRSPs and Employee LIRAs (as such terms are defined below) in its capacity as a group plan administrator of a group retirement savings plan (the "Program") of Valspar Inc. ("Valspar Canada") (which includes the DCPP, Employee RRSPs, Employee Spouse RRSPs and Employee LIRAs);

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS Fidelity has represented to the Decision Makers that:

1. Fidelity, a corporation continued under the laws of Ontario, is registered in the Jurisdictions as a dealer in the category of "mutual fund dealer" and is also registered as an "adviser" in the categories of "investment counsel" and "portfolio manager".

2. Fidelity obtained relief pursuant to the Legislation of the Jurisdictions (the "MFDA Relief"), exempting it from the requirements under the Legislation: (i) to be a member of the Mutual Fund Dealers Association of Canada (the "MFDA") on or before July 2, 2002; and (ii) to file with the MFDA an application for membership and corresponding fees for membership before the required date under the Legislation of the Jurisdictions.

3. Fidelity's registration under the Legislation of the Jurisdictions as a "mutual fund dealer" has been restricted to certain trades which are incidental to its principal business. The restricted trading activity includes trades by Fidelity to a participant in an employer-sponsored registered plan or other savings plan (the "Group Retirement Clients") until the earlier of: (i) the assumption of such trading activity by Fidelity Retirement Services Company of Canada Limited ("New Fidelity"), a wholly-owned subsidiary of Fidelity; and (ii) July 2, 2002.

4. At the time of receiving the MFDA Relief, Fidelity intended to transfer its Group Retirement Clients to New Fidelity. However, upon review of the business needs of the Group Retirement Clients, Fidelity has determined that the Group Retirement Clients would be more appropriately serviced by a member of the Investment Dealers Association of Canada (the "IDA"), than a member of the MFDA.

5. As part of a separate business initiative, Fidelity has incorporated another wholly-owned subsidiary, Fidelity Intermediary Securities Company Limited (the "IDA Company"), which will submit an application for registration as an investment dealer in each Canadian

jurisdiction and an application for membership in the IDA.

6. Fidelity proposes to transfer the Group Retirement Clients to the IDA Company and to run its business of servicing the group retirement business (the "Group Retirement Business") as a division of the IDA Company once the IDA Company has become registered in each Canadian jurisdiction and has been admitted to membership with the IDA and certain systems and other changes are made that will ensure the Group Retirement Business can be conducted in a manner which is compliant with the IDA By-laws and Rules.

7. Fidelity has applied in Ontario and Alberta for orders varying the terms of the MFDA Relief to allow Fidelity to trade in securities, where the trade is made to Group Retirement Clients until the earlier of the assumption of such trading activity by the IDA Company and December 31, 2002. Fidelity has applied or will apply for similar orders, as required, in certain other Canadian jurisdictions (collectively, the "Extension Applications").

8. Valspar U.S. is a corporation incorporated under the laws of the State of Delaware.

9. Valspar U.S. is a manufacturer of coatings.

10. Valspar U.S. is not a reporting issuer (or the equivalent) under the Legislation in any of the Jurisdictions.

11. Valspar Canada, a corporation incorporated under the laws of Canada, is not a reporting issuer (or the equivalent) under the Legislation in any of the Jurisdictions.

12. Valspar Canada is also a manufacturer of coatings.

13. Valspar Canada is wholly-owned by Valspar U.S.

14. The Common Shares are registered with the Securities and Exchange Commission in the United States of America (the "USA") under the Securities Exchange Act of 1934 and Valspar U.S. is subject to the reporting requirements thereunder.

15. The Common Shares are listed and posted for trading on the New York Stock Exchange (the "NYSE").

16. Under the Program, Valspar Canada selects mutual funds that persons (each, an "Employee") who are employees of Valspar Canada, and who participate in the Program, may purchase through payroll deductions or through lump sum payments.

17. Investments made by Employees under the Program are made through the following plans:

    (a) a "defined contribution pension plan" (the "DCPP"), as defined in the *Income Tax Act* (Canada) (the "Tax Act"), that has been established for the benefit of Employees;

    (b) "registered retirement savings plans" (each, an "Employee RRSP"), as defined in the Tax Act, that have been established by or for the benefit of Employees;

    (c) "registered retirement savings plans" (each, an "Employee Spouse RRSP"), as defined in the Tax Act, that have been established by or for the benefit of persons (collectively, "Spouses") who are legally married to or are the "common law partners" (as defined in the Tax Act) of Employees; and

    (d) locked-in retirement accounts (each, an "Employee LIRA"), registered with the Canada Customs and Revenue Agency, that have been established by or for the benefit of Employees;

18. Under the Program, Spouses are also permitted to invest amounts in their Employee Spouse RRSPs in certain mutual funds offered through Fidelity.

19. Under the Program, Valspar Canada proposes to permit Employees to purchase Common Shares through the DCPP, their Employee RRSPs, their Employee Spouse RRSPs and their Employee LIRAS, and to permit Spouses to purchase Common Shares through their Employee Spouse RRSPs.

20. Valspar Canada also proposes to match a specified portion of an Employee's purchases of Common Shares under the Program. These matching contributions from Valspar Canada will be invested in Common Shares through the DCPP.

21. Under the Program, it is proposed that Fidelity carry out the following activities:

    (a) receive orders from Employees to purchase Common Shares (including Common Shares to be purchased with employer matching contributions through the DCPP or upon the automatic reinvestment of dividends paid in respect of Common Shares) on behalf of Employees through the DCPP or for their Employee RRSPs, their Employee Spouse RRSPs or their Employee LIRAs;

    (b) receive orders from Spouses to purchase Common Shares (including Common Shares to be purchased upon the automatic reinvestment of dividends paid in respect of Common Shares) for their Employee Spouse RRSPs;

    (c) receive orders from Employees, or from persons ("Former Employees") that were, but have since ceased to be, Employees, to sell Common Shares held on their behalf in the DCPP or through their Employee RRSPs or Employee LIRAs;

    (d) receive orders from Spouses, Former Employees or persons ("Former Employee Spouses") who are legally married to or are the "common law partners" of Former Employees, to

sell Common Shares held through their Employee Spouse RRSPs;

(e) "match" the orders to purchase Common Shares, referred to in subparagraphs (a) or (b), against orders to sell Common Shares, referred to in subparagraphs (c) or (d), with the offsetting purchases and sales (a "Matching Transaction") effected by way of book entries in the corresponding accounts maintained by Fidelity under the Program and the funds received in respect of the purchase remitted by Fidelity to the vendor;

(f) where the number of Common Shares not affected in a Matching Transaction is less than 50 and if Fidelity deems it to be appropriate, satisfy the purchase or sale of Common Shares from or to Common Shares held by Fidelity in the name of Fidelity (a "Float Transaction");

(g) transmit orders to purchase or sell Common Shares, referred to above, which are not effected in a Matching Transaction or Float Transaction, either:

(i) for execution in a Jurisdiction through a registered dealer that is registered under the Legislation, in each of the Jurisdictions where the order is received or executed, as a dealer in a category that permits it to act as a dealer for the subject trade; or

(ii) for execution through the facilities of the NYSE or another stock exchange outside of Canada through a person or company that is appropriately licensed to carry on the business of a broker/dealer under the applicable securities legislation in the jurisdiction where the trade is executed;

(h) maintain books and records in respect of the foregoing, reflecting, among other things: all related payments, receipts, account entries and adjustments;

22. Records of Common Shares held under the Program on behalf of Employees, Former Employees, Spouses, Former Employee Spouses, the DCPP, Employee RRSPs, Employee Spouse RRSPs and Employee LIRAs (collectively, "Program Participants") will be maintained by Fidelity, and the Common Shares will be held by a custodian that is not affiliated with Fidelity, Valspar U.S. or Valspar Canada.

23. When an Employee becomes a Former Employee, the Former Employee, the DCPP in respect of the Former Employee, the Employee RRSP of the Former Employee, the Former Employee Spouse, the corresponding Employee Spouse RRSP, and the Employee LIRA of the Former Employee will not be permitted to make further purchases of Common Shares under the Program, other than Common Shares to be purchased upon the automatic reinvestment of dividends paid in respect of Common Shares, but, subject to time limitations in certain cases, the foregoing will be permitted to continue to hold, through Fidelity, Common Shares previously purchased on their behalf under the Program, to instruct Fidelity from time to time to sell Common Shares then held on their behalf by Fidelity, or to transfer such Common Shares to an account with another dealer.

24. To participate in the Program, Employees and Spouses must enrol through Fidelity by application, which may be completed: in writing; on the telephone, by way of a recorded call; or, through the Internet, by way of secure access to Fidelity's website.

25. Employees and Spouses who enrol in the Program will be required when completing the enrolment application to acknowledge that Fidelity will not be performing any "suitability" analysis with respect to any purchase or sale of Common Shares on their behalf, or on behalf of their Spouse, under the Program: by signing the application form, where the application is completed in writing; orally, where the application is completed on the telephone or, by making the appropriate selection on Fidelity's website, where the application is completed on the Internet.

26. No Program Participant will be charged any trading commissions, fees, costs or other expenses in respect of the purchase or sale of any Common Shares on behalf of the Program Participant under the Program.

27. Except for ascertaining the "suitability" of trades made under the Program, Fidelity will comply with all other conditions or other requirements under the Legislation that would be applicable to it as a mutual fund dealer as if the Common Shares were shares or units of a mutual fund, with respect to any purchase, sale or holding of Common Shares, by Fidelity on behalf of Program Participants under the Program, including requirements relating to, but not limited to: capital requirements; record keeping; account supervision; segregation of funds and securities; confirmations of trades; "know your client" and statements of account.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "MRRS Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the MRRS Decision has been met;

THE MRRS DECISION of the Decision Makers under the Legislation is that the Dealer Registration Requirement under the Legislation shall not apply to the trades by Fidelity in Common Shares, as referred to in paragraph 21, on behalf of Program Participants under the Program, provided that:

1. in the case of each trade in Common Shares in a Jurisdiction, Fidelity is, at the time of the trade, registered under the Legislation of the Jurisdiction as a dealer in the category of "mutual fund dealer", and, the trade is made on behalf of Fidelity by a person that is

registered under the Legislation to trade mutual funds on behalf of Fidelity as a salesperson or officer;

2. in the case of a trades that consist of the sale of Common Shares transmitted for execution outside of the Jurisdiction, as described in paragraph 21(g)(ii):

   (a) at the time of the trade, Valspar U.S. is not a reporting issuer (or the equivalent) under the Legislation of the Jurisdiction; and

   (b) at the time of the acquisition of the Common Shares by the selling Program Participant, there was a *de minimis* market in the Jurisdiction (as defined below), where, for the purposes of the above, there shall be a *de minimis* market in a Jurisdiction if, at the relevant time:

      (i) persons or companies whose last address as shown on the books of Valspar U.S. was in the Jurisdiction and who held Common Shares:

         (A) did not own directly or indirectly more than 10 per cent of the outstanding Common Shares; and

         (B) did not represent in number more than 10 per cent of the total number of owners directly indirectly of the Common Shares;

PROVIDED ALSO THAT, this MRRS Decision will terminate upon the earlier of:

1. the assumption of the activities referred to in paragraph 21 by the IDA Company; and

2. July 2, 2002, or December 31, 2002 if the relief requested under the Extension Applications is granted.

February 12, 2002.

"Theresa McLeod" "H. Lorne Morphy"

IN THE MATTER OF
THE SECURITIES LEGISLATION OF ONTARIO AND ALBERTA

WHEREAS Fidelity has made an application to the Director of the Ontario Securities Commission (the "Director") for a decision of the Director, pursuant to section 4.1 of Ontario Securities Commission Rule 31-505 Conditions of Registration and to the Alberta Securities Commission (the "ASC") pursuant to section 185 of the *Securities Act* (Alberta) (collectively, the "Registration Legislation"), that the requirements of the Registration Legislation (the "Suitability Requirements") to make enquiries of each Program Participant, that would otherwise arise as a result of Fidelity purchasing or selling Common Shares on behalf of the Program Participant, as described in the MRRS Decision above, to determine (a) the general investment needs and objectives of the Program Participants; and (b) the suitability of a proposed purchase or sale of Common Shares for the Program Participants, do not apply to Fidelity, subject to certain terms and conditions;

AND WHEREAS, Fidelity has made to the Director and the ASC the same representations referred to in the above MRRS Decision;

AND WHEREAS, this Decision Document evidences the decision of each of the Director and the ASC;

AND WHEREAS, each of the Director and the ASC is satisfied that to do so would not be prejudicial to the public interest;

IT IS THE DECISION of the Director and the ASC that, pursuant to the Registration Legislation, effective on the effective date of the above MRRS Decision, the Suitability Requirements of the Registration Legislation shall not apply to Fidelity as a result of Fidelity purchasing or selling Common Shares on behalf of the Program Participant, as described in the above MRRS Decision, provided that, in the circumstances of each such purchase or sale:

1. the Program Participant, or, in the case of a Program Participant that is the DCPP, an Employee RRSP, an Employee Spouse RRSP or an Employee LIRA, the corresponding Employee or Spouse, has given the corresponding acknowledgement, referred to in paragraph 25 of the above MRRS Decision; and

2. Fidelity does not make any recommendation or give any investment advice with respect to the purchase or sale.

AND PROVIDED ALSO THAT, this Decision will terminate upon the earlier of:

1. the assumption of the activities referred to in paragraph 21 of the above MRRS Decision by the IDA Company; and

2. July 2, 2002, or December 31, 2002 if the relief requested under the Extension Applications is granted.

February 12, 2002.

"Randee B. Pavalow"

2.1.4 Augusta Resource Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief granted from the requirement in National Instrument 43-101 to have a qualified person inspect a property that is the subject of a technical report - access to the property is not possible due to seasonal lack of daylight.

Applicable Ontario Provisions

National Instrument 43-101 Standards of Disclosure for Mineral Projects, ss. 6.2 and 9.1

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA AND ONTARIO

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
AUGUSTA RESOURCE CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta and Ontario (the "Jurisdictions") has received an application from Augusta Resource Corporation (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation that at least one qualified person preparing or supervising the preparation of a technical report inspect the property that is the subject of the technical report (the "Personal Inspection Requirement") will not apply to the Filer in respect of technical reports to be prepared in connection with the Filer's public offering of securities;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the British Columbia Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. the Filer is a corporation governed by the Canada Business Corporations Act with its head office located in British Columbia;

2. the Filer is a reporting issuer under the Legislation of each Jurisdiction and is not in default of any requirements of the Legislation;

3. the authorized capital of the Filer consists of 100,000,000 common shares without par value, of which 13,198,437 common shares were outstanding as at December 21, 2001;

4. the Filer's common shares are listed on the Canadian Venture Exchange, Inc. (the "CDNX");

5. the Filer has entered into an option agreement dated January 4, 2002 (the "BH Agreement") with 4763 NWT Ltd. to acquire a 70% interest in the BH property (the "BH Property") located in the Bear Province of the Slave Craton region of Nunavut;

6. the Filer has also entered into eight separate option agreements dated January 15, 2002 (collectively the "Eight Properties Agreements") with 4763 NWT Ltd. to acquire a 20% working interest in the ALS-1, ALS-3, GT, TH, VT, JR and HK properties (the "Eight Properties"), located in the Bear Province of the Slave Craton region of Nunavut;

7. the BH Property and the Eight Properties will be material properties of the Filer;

8. the BH Property and the Eight Properties have not had any exploration work performed on them and no resource has been defined to date;

9. the Filer is having a technical report (the "BH Report") prepared relating to the BH Property and a technical report (the "Eight Properties Report") prepared relating to the Eight Properties and has retained Robert F. Brown, a qualified person as defined in National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), to prepare the BH Report and Eight Properties Report;

10. the only access to the BH Property and the Eight Properties is by fixed wing aircraft or helicopter; due to the seasonal lack of daylight since the Filer acquired the options on the BH Property and Eight Properties, air transportation to the properties is not possible so the qualified person is unable to complete a personal inspection of the BH Property and Eight Properties;

11. the Filer intends to make an offering (the "Offering") of its securities to the public in British Columbia through the facilities of the CDNX under a short form offering document (the "Offering Document");

12. the Offering Document will describe the mineral project on the BH Property and the Eight Properties based on the information contained in the BH Report and the Eight Properties Report; and

13. the Filer intends to use a portion of the proceeds from the Offering to perform work on the BH Property and the Eight Properties as required to exercise the options under the BH Agreement and the Eight Properties Agreements;

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Filer is exempt from the Personal Inspection Requirement in respect of the BH Report and Eight Properties Report for use in connection with the Offering provided that the Offering Document, the BH Report and the Eight Properties Report include a statement that a personal inspection has not been conducted by the qualified person, as defined in NI 43-101, and the reasons why a personal inspection was not conducted.

February 11, 2002.

"Brenda Leong"

2.1.5 Cambridge Antibody Technology Group plc - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Distribution of shares of a foreign issuer in connection with a securities exchange take-over bid – First trade not subject to prospectus qualification requirements

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5., as am., 53, 74(1).
Ontario Securities Commission Rule 72-501 – Prospectus Exemption for First Trade Over a Market Outside Ontario (1998), 21 O.S.C.B. 3873, s. 2.1.

Multilateral Instruments Cited

MI 45-102 – Resale of Securities (2001), 24 O.S.C.B. 7011, s. 2.6, s. 2.11, 2.14

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO AND ALBERTA

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
CAMBRIDGE ANTIBODY TECHNOLOGY GROUP PLC

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario and Alberta (collectively, the "Jurisdictions") has received an application from Cambridge Antibody Technology Group plc ("CAT" or the "Filer") for a decision under the securities legislation of each of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to file a preliminary prospectus and prospectus and obtain receipts therefor (the "Prospectus Requirements"), shall not apply to the first trade in ordinary shares of CAT ("CAT Shares") or American depositary shares of CAT ("CAT ADSs") acquired pursuant to a securities exchange take-over bid (the "Offer") to be made by CAT through its wholly-owned subsidiary, 3982904 Canada Inc. ("CAT Bidco"), for all of the common shares ("DRC Shares") of Drug Royalty Corporation Inc. ("DRC"), subject to certain conditions;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. CAT was incorporated on August 5, 1996, under the laws of England and Wales. Its head office is located at The Science Park, Melbourn, Cambridgeshire, United Kingdom, SG8 6JJ.

2. The authorized capital of CAT consists of 50,000,000 CAT Shares of 10 pence par value each. The CAT Shares are admitted to the Official List of the U.K. Listing Authority and to trading on the London Stock Exchange ("LSE") under the symbol "CAT".

3. CAT ADSs (each CAT ADS representing one CAT Share) are quoted on the National Market of The Nasdaq Stock Market, Inc. (the "Nasdaq") under the symbol "CATG".

4. As of September 30, 2001, approximately 35,455,865 CAT Shares (including CAT Shares represented by CAT ADSs) were issued and outstanding.

5. CAT Bidco was incorporated under the *Canadian Business Corporations Act* for the purposes of the Offer. To date, CAT Bidco has engaged in no activities other than those incidental to its organization and the making of the Offer. The registered office of CAT Bidco is located at 1 First Canadian Place, Suite 6600, Toronto, Ontario, M5X 1B8.

6. Neither CAT nor CAT Bidco is currently a reporting issuer in any Canadian jurisdiction.

7. DRC is a corporation incorporated under the laws of Canada. Its head office is located at 8 King Street East, Suite 202, Toronto, Ontario, M5C 1B5.

8. The authorized capital of DRC consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As of January 8, 2002, approximately 40,712,006 common shares and no preferred shares were issued and outstanding. The DRC Shares are listed for trading on The Toronto Stock Exchange under the symbol "DRI".

9. As at December 31, 2001, there were approximately 2,172 beneficial holders of DRC Shares in Ontario, holding an aggregate of 24,315,334 Shares, representing approximately 57.5% of the total number of beneficial holders and 75.3% of the outstanding DRC Shares.

10. Under the Offer, holders of DRC Shares (the "Shareholders") will receive, for each DRC Share, a certain number of CAT Shares, as determined pursuant to a formula set out in the Support Agreement dated January 16, 2002, between CAT and DRC. Under the Offer, the Shareholders will be entitled to elect to receive CAT Shares or an equivalent number of CAT ADSs.

11. CAT Bidco will file a securities exchange take-over bid circular (the "Bid Circular") on the System for Electronic Document Analysis and Retrieval ("SEDAR") that will have prospectus-level disclosure regarding CAT, as required under the Legislation.

12. After the filing of the Bid Circular, CAT will become a reporting issuer in Quebec, Nova Scotia, Saskatchewan, and Newfoundland and, if CAT takes up and pays for the DRC Shares, CAT will become a reporting issuer in British Columbia (collectively, the "Reporting Jurisdictions"); however, CAT will not become a reporting issuer in Ontario or Alberta.

13. The distribution of the CAT Shares pursuant to the Offer will be exempt from the registration and prospectus requirements in all Canadian jurisdictions pursuant to statutory exemptions or exemption relief orders sought by CAT.

14. It is anticipated that, subsequent to the distribution of CAT Shares and CAT ADSs pursuant to the Offer, Canadian residents will:

    (a) own, directly or indirectly, less than 10% of the outstanding CAT Shares (including CAT Shares represented by CAT ADSs); and

    (b) represent in number less than 10% of the total number of owners directly or indirectly of CAT Shares (including CAT Shares represented by CAT ADSs).

15. Following the completion of the Offer, the annual reports, proxy materials and other materials currently distributed to the holders of CAT Shares and CAT ADSs pursuant to the securities laws of the United Kingdom and the United States, respectively, will be provided, as applicable, to the holders of CAT Shares and CAT ADSs resident in Canada.

16. Pursuant to section 2.6 of Multilateral Instrument 45-102 (*Resale of Securities*) ("MI 45-102"), the first trade in securities acquired pursuant to a securities exchange take-over bid is deemed to be a distribution, unless certain conditions are met. Where the issuer is not a "qualifying issuer" at the distribution date, security holders are generally subject to a 12 month seasoning or hold period.

17. Because there is no market for either the CAT Shares or CAT ADSs in Canada and none is expected to develop, it is expected that any resale of the CAT Shares by Canadian residents will be effected through the facilities of the LSE in accordance with its rules and regulations and that any resale of CAT ADSs by Canadian residents will be effected through the facilities of the Nasdaq in accordance with its rules and regulations.

18. While section 2.11 MI 45-102 provides first trade relief in respect of a security acquired in a securities exchange take-over bid, such relief is subject to the condition that the offeror was a reporting issuer in the local jurisdiction on the date the securities of the offeree issuer are first taken up under the take-over bid. An issuer that has filed a securities exchange take-over bid circular or that has taken up and paid for the shares of

an offeree issuer will become a reporting issuer in each of the Canadian jurisdictions which recognizes the concept of a reporting issuer, other than Ontario and Alberta. Accordingly, the relief provided by section 2.11 of MI 45-102 is unavailable in the Jurisdictions.

19. While section 2.14 of MI 45-102 provides an exemption from the Prospectus Requirements for the first trade of a security distributed under an exemption from the Prospectus Requirements, such relief is subject to the condition that the issuer of the security was not a reporting issuer in any jurisdiction at the distribution date. Given that CAT will become a reporting issuer in the Reporting Jurisdictions, this exemption is unavailable in connection with the Offer.

20. While section 2.1 of Ontario Securities Commission Rule 72-501 ("Rule 72-501") provides an available exemption for the first trade of a security distributed under an exemption from the Prospectus Requirements in Ontario, it is currently proposed that Rule 72-501 be rescinded and, in any event, no comparable relief is available in Alberta.

21. If this decision is not granted, Shareholders in the Reporting Jurisdictions who under the Offer acquire CAT Shares and CAT ADSs will, pursuant to MI 45-102, be free to trade such securities over the LSE and Nasdaq, respectively; whereas, Shareholders in the Jurisdictions will be subject to a seasoning or hold period of 12 months.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers in each of the Jurisdictions under the Legislation is that the first trade in CAT Shares and CAT ADSs received by holders of DRC Shares pursuant to the Offer will not be subject to the Prospectus Requirements, provided that such first trade of the CAT Shares and CAT ADSs will be deemed to be a distribution under the Legislation of the Jurisdictions unless the trade is made through an exchange, or a market, outside of Canada.

February 13th, 2002.

"Theresa McLeod" "H.Lorne Morphy"

2.1.6 DC DiagnostiCare Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Compulsory acquisition procedure - exemption from the requirement to make up, certify, file and send and deliver, as the case may be, an annual report, annual financial statements, for the year ended September 30, 2001, and interim financial statements for the first quarter ended December 31, 2001.

Section 5.1 of Ontario Securities Commission Rule 51-501 - AIF and MD&A - Compulsory acquisition procedure - exemption from the requirement to file and send and deliver, as the case may be, an annual information form and annual management's discussion and analysis of financial condition and results of operations for the year ended September 30, 2001, and interim management's discussion and analysis of financial condition and results of operations for the first quarter ended December 31, 2001.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am, s. 77, 78, and 79, s.80(b)(iii),

Rules Cited

OSC Rule 51-501- AIF and MD&A - ss. 2.1, 3.1, 4.1 and 4.3, s. 5.1

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, ALBERTA AND BRITISH COLUMBIA

AND

IN THE MATTER OF
THE MUTUAL RELIANCE SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
DC DIAGNOSTICARE INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of Ontario, Alberta and British Columbia (the "**Jurisdictions**") has received an application from DC DiangostiCare Inc. (the "**Filer**") for:

(i) a decision under the securities legislation of each of the Jurisdictions (the "**Legislation**") that the requirements contained in the Legislation to make up, certify, prepare, file and send and deliver to the registered holders of the Filer's common shares (the "**Common Shares**"), as the case may be, its:

(a) interim financial statements (the "**Interim Financials**") for the first quarter ended December 31, 2001 (the "**First Quarter**");

(b) comparative financial statements (the "**Annual Financials**") for the financial year ended September 30, 2001 (the "**Year 2001**"); and

(c) report (the "**Annual Filing**") for the Year 2001;

shall not apply to the Filer; and

(ii) in Ontario only, an order pursuant to Ontario Securities Commission Rule 51-501 - AIF and MD&A ("**Rule 51-501**"), that the requirements contained in Rule 51-501 to prepare, file and send and deliver to the registered holders of the Common Shares, as the case may be, its:

(a) annual information form (the "**AIF**") for the Year 2001;

(b) annual management's discussion and analysis of financial condition and results of operations (the "**Annual MD&A**") for Year 2001; and

(c) interim management's discussion and analysis of financial condition and results of operations (the "**Interim MD&A**") for the First Quarter;

shall not apply to the Filer.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "**System**"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers as follows:

1. The Filer is a corporation formed under the laws of the Province of British Columbia on July 12, 1996 pursuant to the amalgamation of DC DiagnostiCare Inc. and Camelot Industries Inc.

2. The Filer's principal office is located at Suite 100 - 12220 Stony Plain Road, Edmonton, Alberta, T5N 3Y4 and its registered office is located at Suite 1600 - 609 Granville Street, Vancouver, British Columbia, V7Y 1C3.

3. Subsequent to the completion of the Offer (defined and more particularly described below), approximately 93.4% of the outstanding Common Shares are indirectly held by Canadian Medical Laboratories Limited ("**CML**"), a reporting issuer with its head office and principal place of business located at 6560 Kennedy Road, Mississauga, Ontario, L5T 2X4, through its wholly-owned subsidiary Diagnosticare Acquisition Limited (the "**Offeror**").

4. The Filer is a reporting issuer in each of the Jurisdictions and is not in default of any of the requirements of the Legislation.

5. The Common Shares are listed for trading on The Toronto Stock Exchange (the "**TSE**").

6. On October 22, 2001, the Offeror made a formal offer (the "**Offer**") by take-over bid to acquire all the issued and outstanding Common Shares for $0.60 per Common Share.

7. The Offer was originally set to expire on November 28, 2001 but was extended to December 21, 2001 by a Notice of Extension dated December 7, 2001.

8. On November 28, 2001 and December 21, 2001, the Offeror acquired a total of 24,918,956 Common Shares, or approximately 93.4% of the 26,680,425 Common Shares outstanding as at December 21, 2001.

9. The Offeror intends to acquire as soon as possible, pursuant to section 255 of the *Company Act* (British Columbia) (the "**Compulsory Acquisition Right**"), all outstanding Common Shares which were not acquired by the Offeror under the Offer. Pursuant but subject to the *Company Act* (British Columbia), the Offeror has the absolute right to acquire all Common Shares not currently owned by it.

10. In order to exercise the Compulsory Acquisition Right, the Offeror must first be continued as a company under the *Company Act* (British Columbia).

11. Effective January 17, 2002, the Offeror has continued as a company under the *Company Act* (British Columbia) and is accordingly able to exercise the Compulsory Acquisition Right.

12. The Offeror intends to give written notice (the "**Notice**") of its intention to exercise the Compulsory Acquisition Right to each holder of Common Shares who did not accept the Offer (each a "**Remaining Shareholder**") very shortly, providing each Remaining Shareholder with the option of:

(a) transferring such holder's Common Shares to the Offeror for a purchase price of $0.60 per Common Share; or

(b) making an application to the Supreme Court of British Columbia (the "**Court**"), within two months from the date of the giving of the Notice in accordance with

section 255 of the *Company Act* (British Columbia) upon which, the Court may:

(i) set the price and terms of payment; and

(ii) make consequential orders and give directions the Court considers appropriate.

13. Upon the expiry of two months after the date on which the Notice was given, if no Remaining Shareholder has applied to the Court within such time, the Offeror must send a copy of the Notice to the Filer and pay or transfer to the Filer the amount representing the price payable by the Offeror for the Common Shares which the Offeror is entitled and bound to acquire (the "**Payment Procedure**"). Upon receipt of a copy of the Notice and the payment referred to in the preceding sentence, the Filer must thereupon register the Offeror as a shareholder with respect to such Common Shares and the Offeror will become the sole shareholder of the Filer.

14. Unless a Remaining Shareholder makes an application to the Court in accordance with section 255 of the *Company Act* (British Columbia), the Filer expects that the Offeror will, pursuant to the Compulsory Acquisition Right, become the sole shareholder of the Filer by the end of its second quarter ending March 31, 2002.

15. If a Remaining Shareholder makes an application to the Court in accordance with section 255 of the *Company Act* (British Columbia) and such application remains pending after the expiry of two months after the date on which the Notice was given, unless the Court has ordered otherwise, after that application has been disposed of, the Offeror must follow the Payment Procedure. Upon receipt of a copy of the Notice and the payment required by the Payment Procedure and/or the Court, the Filer must thereupon register the Offeror as a shareholder with respect to such Common Shares and the Offeror will become the sole shareholder of the Filer.

16. The Filer intends to seek to have the Common Shares de-listed from the TSE shortly.

17. Assuming the completion of the compulsory acquisition, the issuance of this decision will allow the Filer to apply for an order deeming it to have ceased to be a reporting issuer in each of the Jurisdictions.

18. Absent the granting of the relief requested hereby, the Filer would be required to make up, certify, prepare, file and send and deliver to the registered holders of the Common Shares, as the case may be, the Interim Financials and the Interim MD&A before March 1, 2002.

19. Absent the granting of relief requested hereby, the Filer would be required to make up, certify, prepare, file and send and deliver to the registered holders of the Common Shares, as the case may be, the Annual Financials, the Annual Filing, the AIF and the Annual MD&A before February 17, 2002.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (the "**Decision**");

AND WHEREAS each Decision Maker is satisfied that the test contained in the legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the requirements contained in the Legislation to make up, certify, prepare, file and send and deliver to the registered holders of the Common Shares, as the case may be, the Interim Financials, the Annual Financials and the Annual Filing, shall not apply to the Filer.

February 15, 2002.

Mary Theresa McLeod" H. Lorne Morphy"

AND IT IS HEREBY ORDERED by the Director pursuant to section 5.1 of Rule 51-501 that the requirements contained in Rule 51-501 to file and send and deliver to the registered holders of the Common Shares, as the case may be, the AIF, the Annual MD&A and the Interim MD&A, shall not apply to the Filer.

February 15, 2002.

"John Hughes"

2.1.7 Newmont Mining Corporation and Franco-Nevada Mining Corporation Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted, subject to certain conditions, from the prospectus and registration requirements in respect of trades in connection with a statutory arrangement.

Reporting issuer exempted from certain continuous disclosure and insider reporting requirements subject to certain conditions. Disclosure required to be provided by these provisions would not be meaningful to shareholders.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., ss. 25, 35(1)15.i, 53, 72(1)(i), 74(1), 75, 77, 78, 79, 80(b)(iii), 81(2), 107, 108, 109, 121(2)(a)(ii).

Applicable Ontario Rules

Rule 45-501 Exempt Distributions.
Rule 45-501 Resale of Securities.

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,
MANITOBA, ONTARIO, NOVA SCOTIA,
NEW BRUNSWICK, NEWFOUNDLAND AND LABRADOR,
PRINCE EDWARD ISLAND, QUEBEC,
NORTHWEST TERRITORIES,
NUNAVUT AND YUKON TERRITORY

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
NEWMONT MINING CORPORATION AND
FRANCO-NEVADA MINING CORPORATION LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**"), in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Quebec, the Yukon Territory, the Northwest Territories and Nunavut (collectively, the "**Jurisdictions**") has received an application from Newmont Mining Corporation (together with its successor corporations, "**Newmont**"), and two of its affiliates, Newmont Callco ("Callco"), and Newmont Canada ("Exchangeco") (collectively, the "**Applicant**"), for a decision under the securities legislation, regulations, rules and/or policies of the Jurisdictions (the "**Legislation**") that:

(i) certain trades in securities made in connection with or resulting from the proposed acquisition (the "Acquisition") pursuant to an arrangement agreement dated November 14, 2001 (the "**Arrangement Agreement**") by Newmont of all of the common shares in the capital of Franco-Nevada Mining Corporation Limited ("**Franco-Nevada**"), to be effected by way of a plan of arrangement (the "**Arrangement**") under section 192 of the Canada Business Corporations Act, as amended (the "**CBCA**") shall be exempt from the requirements contained in the Legislation to be registered to trade in a security (the "**Registration Requirements**") and to file a preliminary prospectus and a prospectus and receive receipts therefor (the "**Prospectus Requirements**");

(ii) Exchangeco be exempt from any requirements of the Legislation, where applicable, to (a) issue press releases and file reports regarding material changes, to deliver to its security holders and file with the applicable Decision Makers annual reports, interim and annual financial statements (including interim and annual management discussion and analysis), to file and deliver information circulars, (the "**Continuous Disclosure Requirements**"), and (b) file with the Decision Makers in Ontario, Quebec and Saskatchewan an annual information form and management discussion and analysis thereon (the "**Local AIF and MD&A Requirements**"); and

(iii) insiders of Exchangeco be exempt from the requirement contained in the Legislation to file reports disclosing the insider's direct or indirect beneficial ownership of, or control or direction over, securities of Exchangeco (the "**Insider Reporting Requirement**");

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the Ontario Securities Commission is the principal regulator for this Application;

AND WHEREAS the Applicant has represented to the Decision Makers that:

1. Newmont is incorporated under the laws of the State of Delaware. Newmont is engaged in the production of gold, the exploration for gold and the acquisition and development of gold properties worldwide. Newmont has operations in Canada, United States, Mexico, Peru, Bolivia, Australia, Mexico and Uzbekistan.

2. Newmont's corporate headquarters are in Denver, Colorado.

3. As at November 30, 2001, Newmont's share capital consisted of (i) 250,000,000 shares of Newmont common stock (the "Newmont Common Shares"), par value US$1.60 per share, of which 196,129,592 were

outstanding; and (ii) 5,000,000 shares of US$3.25 convertible preferred stock, par value US$5.00 per share, of which 2,299,980 were outstanding. As part of the Arrangement, Newmont will issue the Newmont Special Voting Share (as defined below) to the Trustee pursuant to the Voting and Exchange Trust Agreement (as defined below).

4. The Newmont Common Shares are listed and trade principally on the New York Stock Exchange (the "NYSE") under the symbol "NEM" and are also listed on the Brussels Stock Exchange and the Swiss Stock Exchange. Application has been made by Newmont to the NYSE to list the Newmont Common Shares issued pursuant to the Arrangement, or issuable from time to time in exchange for exchangeable shares in the capital of Exchangeco (the "Exchangeable Shares") and upon exercise of Franco-Nevada Options (as defined below).

5. Newmont is subject to the reporting requirements of securities legislation in the United States. Newmont is currently a "reporting issuer" or the equivalent under the Legislation of each of British Columbia, Alberta, Saskatchewan, Manitoba and Quebec.

6. Callco will be incorporated as a direct or indirect wholly-owned subsidiary of Newmont. Callco will hold the various call rights related to the Exchangeable Shares.

7. The authorized capital of Callco will consist of 1,000,000,000 common shares. Upon completion of the Arrangement, all of the issued and outstanding common shares of Callco will be held directly or indirectly by Newmont.

8. Exchangeco will be incorporated as a direct or indirect subsidiary of Newmont for the purpose of implementing the Arrangement and will be the continuing corporation following the amalgamation of Exchangeco, Franco-Nevada and others as contemplated by the Arrangement. Exchangeco's only material assets prior to such amalgamation will be the issued and outstanding Franco-Nevada Common Shares and shares of holding companies, the only assets of which will be Franco-Nevada Common Shares.

9. The authorized share capital of Exchangeco will consist of an unlimited number of common shares, an unlimited number of preference shares, an unlimited number of Special Shares (as hereinafter defined) and an unlimited number of Exchangeable Shares. Upon completion of the Arrangement, all of the outstanding common shares and Special Shares of Exchangeco will be held directly or indirectly by Newmont and all of the outstanding Exchangeable Shares will be held by the former Franco-Nevada Shareholders who elect to receive Exchangeable Shares in exchange for their Franco-Nevada Common Shares under the Arrangement.

10. Exchangeco will initially be a "closely-held issuer" within the meaning of that term under Ontario Securities Commission Rule 45-101: Exempt Distributions. Upon the completion of the Arrangement and if Exchangeable Shares are issued pursuant to the Arrangement, the Exchangeable Shares will be listed on the TSE and Exchangeco will become a reporting issuer under the provisions of applicable Canadian provincial and territorial securities legislation. It is a condition precedent of the Arrangement that the Exchangeable Shares be conditionally approved for listing on The Toronto Stock Exchange (the "TSE"). On December 28, 2001, the TSE conditionally approved the Exchangeable Shares for listing.

11. Franco-Nevada was originally incorporated under the CBCA by articles of incorporation dated October 5, 1982. It amalgamated with Euro-Nevada Mining Corporation Limited effective September 20, 1999 pursuant to articles of arrangement dated September 20, 1999 to form the current Franco-Nevada.

12. The primary business of Franco-Nevada is the acquisition of: (i) direct interests in mineral properties and, when appropriate, developing those properties; (ii) royalty interests in producing precious metals mines and precious metals properties in the development or advanced exploration stage; (iii) direct interests in mineral properties for the purpose of exploration, when appropriate, and selling, leasing or joint venturing those properties to established mine operators and retaining royalty interests; and (iv) indirect interests in mineral deposits through strategic interests in companies that own interests in mineral deposits. Franco-Nevada's principal executive offices are located at Suite 1900, 20 Eglinton Avenue West, Toronto, Ontario M4R 1K8.

13. In the year ended March 31, 2001, Franco-Nevada generated revenue of approximately CDN$284.3 million, earnings before tax of approximately CDN$164.6 million and earnings of approximately CDN$113.4 million. Total shareholders' equity at March 31, 2001 was approximately CDN$1.55 billion.

14. Franco-Nevada's authorized capital consists of an unlimited number of Franco-Nevada Common Shares and an unlimited number of first preferred shares issuable in series. As at November 14, 2001, 158,420,430 Franco-Nevada Common Shares were issued and outstanding, Stock Options to acquire 5,040,356 Franco-Nevada Common Shares were granted and outstanding, Class A Warrants to acquire 8,895,344 Franco-Nevada Common Shares were issued and outstanding and Class B Warrants to acquire an aggregate of 6,571,953 Franco-Nevada Common shares were issued and outstanding.

15. Franco-Nevada Common Shares are listed on the TSE under the symbol "FN". The Class A Warrants are listed on the TSE under the symbol "FN.WT". The Class B Warrants are quoted on the Canadian Venture Exchange under the symbol "YFN WT.B". Franco-Nevada is reporting issuer in all provinces of Canada.

16. On September 21, 2000, Franco-Nevada and Montreal Trust Company of Canada entered into a shareholder rights agreement providing for a shareholder rights plan which was approved by shareholders of Franco-Nevada

on the same date. In the Arrangement Agreement, Franco-Nevada confirmed that its board of directors acting in good faith considered it necessary and desirable to extend the Separation Time (as such term is defined in the shareholder rights agreement) until after the vote by Franco-Nevada Shareholders at the Franco-Nevada Meeting and has agreed to obtain the consent of the Franco-Nevada Shareholders to waive the application of the shareholder rights agreement to the Arrangement and the transactions contemplated thereby.

17. The Acquisition will be effected by way of Arrangement, which will require: (i) the approval of holders of the Franco-Nevada Common Shares (the "Franco-Nevada Shareholders") holding not less than 66 and 2/3% of the votes cast at the meeting of such Franco-Nevada Shareholders (the "Franco-Nevada Meeting") (currently scheduled to be held on or about January 30, 2002) by Franco-Nevada Shareholders present in person or represented by proxy; and (ii) the final approval of the Court (as defined below). Each holder of Franco-Nevada Common Shares will be entitled to one vote for each Franco-Nevada Common Share held.

18. In connection with the Arrangement, Franco-Nevada has mailed to the Franco-Nevada Shareholders a management information circular (the "Circular"). The Circular contains, among other things, prospectus-level disclosure of the business and affairs of each of Newmont and Exchangeco and the particulars of the Arrangement, the Exchangeable Shares and Newmont Common Shares. The Circular also discloses that Newmont and Exchangeco will apply for exemptive relief from prospectus and registration requirements for certain trades to be made in connection with Acquisition, and that Exchangeco be exempt from certain continuous disclosure requirements and that insiders of Exchangeco be exempt from certain insider reporting requirements of the Legislation.

19. On December 27, 2001, the Superior Court of Justice (Ontario) (the "Court") granted an interim order in respect of the Arrangement providing for the calling and holding of the Franco-Nevada Meeting and certain other procedural matters including providing for approval of the Arrangement to be made by the affirmative vote of not less than 66 and 2/3% of the votes cast at the Franco-Nevada Meeting by Franco-Nevada Shareholders present in person or represented by proxy.

20. Upon the Arrangement becoming effective, in accordance with elections made by holders of Franco-Nevada Common Shares, the outstanding Franco-Nevada Common Shares (except those held by shareholders who exercise their rights of dissent and are ultimately entitled to be paid the fair value thereof) will be acquired, at the option of the holder thereof, by either Exchangeco or Callco and each holder of Franco-Nevada Common Shares shall be entitled to receive in consideration therefor either: (i) 0.80 Exchangeable Shares per Franco-Nevada Common Share acquired by Exchangeco; or (ii) 0.80 Newmont Common Shares per Franco-Nevada Common Share acquired by Callco.

21. Alternatively, holders of Franco-Nevada Common Shares shall be entitled to transfer their Franco-Nevada Common Shares to a newly incorporated corporation ("Holdco") and sell all issued and outstanding shares in the capital of Holdco ("Holdco Shares") to either Callco or Exchangeco, provided certain conditions are satisfied, including, among other things that the holder is a resident of Canada for the purposes of the ITA, Holdco has no indebtedness or liabilities and owns no assets other than the Franco-Nevada Common Shares and the holder transfers its Franco-Nevada Common Shares to Holdco solely in consideration for the Holdco Shares. If the Holdco Shares are sold to Exchangeco, the holder of such Holdco Shares shall be entitled to receive in consideration therefor, 0.80 Exchangeable Shares per Franco-Nevada Common Share owned by Holdco. If the Holdco Shares are sold to Callco, the holder of such Holdco Shares shall be entitled to receive in consideration therefor, 0.80 Newmont Common Shares per Franco-Nevada Common Share owned by Holdco.

22. Each issued and outstanding Franco-Nevada Common Share and Holdco Share acquired by Callco will be transferred by Callco to Exchangeco in consideration for the issuance of 1,000 special shares (the "Special Shares") in the capital of Exchangeco.

23. Pursuant to the Arrangement, each holder: of (i) options to acquire Franco-Nevada Common Shares ("Stock Options") issued pursuant to the Franco-Nevada employee stock option plan; (ii) Class A Warrants to acquire Franco-Nevada Common Shares issued by Franco-Nevada ("Class A Warrants"); or (iii) Class B Warrants to acquire Franco-Nevada Common Shares issued by Franco-Nevada ("Class B Warrants") (the Stock Options, the Class A Warrants and the Class B Warrants collectively referred to herein as the "Franco-Nevada Options") shall be entitled to receive upon the subsequent exercise of such holder's Franco-Nevada Options, in accordance with its terms, and shall accept in lieu of the number of Franco-Nevada Common Shares to which such holder was theretofore entitled upon such exercise but for the same aggregate consideration payable therefor, the aggregate number of Newmont Common Shares, that such holder would have been entitled to receive as a result of the transactions contemplated by the Arrangement if, on the effective date of the Arrangement, such holder had been the registered holder of the number of Franco-Nevada Common Shares to which such holder was theretofore entitled upon such exercise, subject to adjustment to account for fractional shares.

24. Subject to adjustments, each Exchangeable Share will be exchangeable by the holder at any time for one Newmont Common Share. Each Exchangeable Share shall be redeemed for one Newmont Common Share on the seventh anniversary of the date on which Exchangeable Shares are first issued or earlier in certain circumstances, including when fewer than

1,000,000 Exchangeable Shares are held by non-Newmont entities. Provided the Exchangeable Shares are listed on a prescribed stock exchange in Canada (which currently includes the TSE), the Exchangeable Shares will be "qualified investments" under the Income Tax Act (Canada), as amended (the "ITA") for certain investors. In addition, provided that the Exchangeable Shares are so listed and certain other criteria is satisfied (which criteria Newmont has agreed to use its best efforts to satisfy), the Exchangeable Shares will not be "foreign property" under the ITA.

25. In connection with the Arrangement, Newmont, Exchangeco and a trustee (the "Trustee") will enter into a voting and exchange trust agreement (the "Voting and Exchange Trust Agreement") and Newmont, Callco and Exchangeco will enter into a support agreement (the "Support Agreement"). These agreements, together with the rights, privileges, restrictions and conditions attaching to the Exchangeable Shares (the "Exchangeable Share Provisions") and the rights attaching to the special voting share in the capital of Newmont ("Newmont Special Voting Share") issued to the Trustee pursuant to the Voting and Exchange Trust Agreement, which allows the Trustee, as trustee for and on behalf of all registered holders of the Exchangeable Shares (other than affiliates of Newmont) to receive for no additional consideration, the Voting Rights, the Automatic Exchange Right, the Automatic Exchange Rights on Liquidation (each of which are hereinafter defined) and any other similar rights that may be available from time to time to holders of the Exchangeable Shares, result in the economic attributes of the Exchangeable Shares being substantially equivalent in all material respects to the economic attributes of the Newmont Common Shares.

26. Franco-Nevada, Exchangeco and all of the Holdcos will amalgamate and continue as one corporation under the CBCA to continue under the name "Franco-Nevada Mining Corporation". Each common share in the capital of Exchangeco shall become one common share in the capital of the amalgamated corporation. Each Special Share in the capital of Exchangeco shall become one Special Share in the capital of the amalgamated corporation. Each Exchangeable Share in the capital of Exchangeco shall become one Exchangeable Share in the capital of the amalgamated corporation. Each share in the capital of Franco-Nevada and each share in the capital of each Holdco shall be cancelled. For the purposes of this Decision, Exchangeco means the corporation that issues the Exchangeable Shares pursuant to the Arrangement and following the amalgamation described in the first sentence of this clause, the corporation continuing as a result of that amalgamation.

27. The Exchangeable Shares will be entitled to a preference over the common shares of Exchangeco, the Special Shares and any other shares ranking junior to the Exchangeable Shares with respect to the payment of dividends and the distribution of assets in the event of a liquidation, dissolution or winding-up of Exchangeco, whether voluntary or involuntary, or any other distribution of the assets of Exchangeco among its shareholders for the purpose of winding-up its affairs. The Exchangeable Share Provisions will provide that each Exchangeable Share will entitle the holder to dividends from Exchangeco payable at the same time as, and equivalent to, each dividend paid by Newmont on a Newmont Common Share. Subject to the overriding Liquidation Call Right of Callco or Newmont, as the case may be, defined below, on the liquidation, dissolution or winding-up of Exchangeco, a holder of Exchangeable Shares will be entitled, subject to applicable law, to receive from the assets of Exchangeco for each Exchangeable Share held, an amount equal to the current market price of a Newmont Common Share on the last business day prior to the liquidation date, to be satisfied by the delivery of one Newmont Common Share, plus an amount equal to all declared and unpaid dividends on each such Exchangeable Share held by such holder on any dividend record date which occurred prior to the liquidation date (such aggregate amount, the "Liquidation Amount"). Upon a proposed liquidation, dissolution or winding-up of Exchangeco, Callco or Newmont, as the case may be, will have an overriding call right (the "Liquidation Call Right") to purchase all of the outstanding Exchangeable Shares from the holders thereof for a price per share equal to the Liquidation Amount.

28. The Exchangeable Shares will be non-voting (except as required by applicable law) and will be retractable at the option of the holder at any time. Subject to the overriding Retraction Call Right of Callco or Newmont, as the case may be, defined below, upon retraction, the holder will be entitled to receive from Exchangeco, for each Exchangeable Share retracted, an amount equal to the current market price for a Newmont Common Share, to be satisfied by the delivery of one Newmont Common Share, plus an amount equal to all declared and unpaid dividends on each such Exchangeable Share held by such holder on any dividend record date which occurred prior to the retraction date (such aggregate amount, the "Retraction Price"). Upon being notified by Exchangeco of a proposed retraction of Exchangeable Shares, Callco or Newmont, as the case may be, will have an overriding call right (the "Retraction Call Right") to purchase from the holder all of the Exchangeable Shares that are the subject of the retraction notice for a price per share equal to the Retraction Price.

29. Subject to applicable law and to the overriding Redemption Call Right of Callco or Newmont, as the case may be, referred to below in this paragraph, Exchangeco shall redeem all the Exchangeable Shares then outstanding on the date (the "Redemption Date"), if any, fixed by the board of directors of Exchangeco for the redemption of the Exchangeable Shares, such Redemption Date not being earlier than the seventh anniversary of the date on which the Exchangeable Shares are first issued. The Redemption Date may be earlier than the seventh anniversary of the date on which the Exchangeable Shares are first issued in certain circumstances, as described in the Circular, including if there are fewer than 1,000,000

Exchangeable Shares outstanding (other than Exchangeable Shares held by Newmont and its affiliates and subject to necessary adjustments to such number of shares to reflect permitted changes to Exchangeable Shares). Upon such redemption, a holder will be entitled to receive from Exchangeco, for each Exchangeable Share redeemed, an amount equal to the current market price of a Newmont Common Share, to be satisfied by the delivery of one Newmont Common Share, plus an amount equal to all declared and unpaid dividends on each such Exchangeable Share held by such holder on any dividend record date which occurred prior to the redemption date (such aggregate amount, the "Redemption Price"). Upon being notified by Exchangeco of a proposed redemption of Exchangeable Shares, Callco and Newmont, as the case may be, will have an overriding call right (the "Redemption Call Right") to purchase from the holders all of the outstanding Exchangeable Shares for a price per share equal to the Redemption Price.

30. Any approval required to be given by the holders of the Exchangeable Shares to add to, change or remove any right, privilege, restriction or condition attaching to the Exchangeable Shares or any other matter requiring the approval or consent of the holders of the Exchangeable Shares in accordance with applicable law will be deemed to have been sufficiently given if it has been given in accordance with applicable law, subject to a minimum requirement that such approval be evidenced by a resolution passed by not less than two-thirds of the votes cast on such resolution at a meeting of holders of Exchangeable Shares duly called and held at which the holders of at least 10% of the outstanding Exchangeable Shares are present or represented by proxy.

31. The Exchangeable Shares, together with the Voting and Exchange Trust Agreement will provide holders thereof with a security of a Canadian issuer having economic rights which are, as nearly as practicable, equivalent to those of Newmont Common Shares. Exchangeable Shares may be received by certain holders of Franco-Nevada Common Shares on a Canadian tax-deferred rollover basis and, provided such shares are listed on a prescribed stock exchange (which currently includes the TSE), will be "qualified investments" for certain investors. In addition, provided that the Exchangeable Shares are so listed and certain other criteria are satisfied (which criteria Newmont has agreed to use its best efforts to satisfy), the Exchangeable Shares will not constitute "foreign property" under the ITA.

32. Pursuant to the Voting and Exchange Trust Agreement, Newmont will issue to the Trustee one Newmont Special Voting Share to be held of record by the Trustee as trustee for and on behalf of, and for the use and benefit of, the registered holders from time to time of Exchangeable Shares (other than affiliates of Newmont) and in accordance with the provisions of the Voting and Exchange Trust Agreement. During the term of the Voting and Exchange Trust Agreement, Newmont is not permitted to issue any additional Newmont Special Voting Shares without the consent of the holders of Exchangeable Shares.

33. Under the Voting and Exchange Trust Agreement, the Trustee will be entitled to all of the voting rights, including the right to vote in person or by proxy, attaching to the Newmont Special Voting Share on all matters that may properly come before the shareholders of Newmont at a meeting of shareholders. The Newmont Special Voting Share has a number of votes, which may be cast by the Trustee at any meeting at which Newmont shareholders are entitled to vote, equal to the lesser of the number of outstanding Exchangeable Shares (other than shares held by Newmont or its affiliates) and 10% of the total number of votes attached to the Newmont Common Shares then outstanding.

34. Each holder of an Exchangeable Share (other than Newmont or its affiliates) on the record date for any meeting at which Newmont shareholders are entitled to vote will be entitled to instruct the Trustee to exercise the lesser of one of the votes attached to the Newmont Special Voting Share for (i) such Exchangeable Share, or (ii) every 10 votes attaching to the outstanding Newmont Common Shares. The Trustee will exercise each vote attached to the Newmont Special Voting Share only as directed by the relevant holder and, in the absence of instructions from a holder as to voting, the Trustee will not have voting rights with respect to such Exchangeable Shares. A holder may, upon instructing the Trustee, obtain a proxy from the Trustee entitling the holder to vote directly at the relevant meeting the votes attached to the Newmont Special Voting Share to which the holder is entitled.

35. The Trustee will send to the holders of the Exchangeable Shares the notice of each meeting at which the Newmont shareholders are entitled to vote, together with the related meeting materials and a statement as to the manner in which the holder may instruct the Trustee to exercise the votes attaching to the Newmont Special Voting Share, at the same time as Newmont sends such notice and materials to the Newmont shareholders. The Trustee will also send to the holders of Exchangeable Shares copies of all information statements, interim and annual financial statements, reports and other materials sent by Newmont to the Newmont shareholders at the same time as such materials are sent to the Newmont shareholders. To the extent such materials are provided to the Trustee by Newmont, the Trustee will also send to the holders all materials sent by third parties to Newmont shareholders generally, including under U.S. securities laws, including dissident proxy circulars and tender and exchange offer circulars, as soon as possible after such materials are first sent to Newmont shareholders.

36. All rights of a holder of Exchangeable Shares to exercise votes attached to the Newmont Special Voting Share will cease upon the exchange of such holder's Exchangeable Shares for Newmont Common Shares.

37. Under the Voting and Exchange Trust Agreement, upon the liquidation, dissolution or winding-up of Exchangeco, Newmont will be required to purchase each outstanding Exchangeable Share and each holder will be required to sell all of its Exchangeable Shares (such purchase and sale obligations are hereafter referred to as the "Automatic Exchange Right"). The purchase price for each Exchangeable Share purchased by Newmont will be satisfied by the delivery to the Trustee, on behalf of the holder, of one Newmont Common Share, together with, on the designated payment date therefor and to the extent not already paid by Exchangeco, all declared and unpaid dividends on each such Exchangeable Share.

38. Under the Voting and Exchange Trust Agreement, upon the liquidation, dissolution or winding-up of Newmont, Newmont will be required to purchase on the fifth business day prior to the effective date of such liquidation, dissolution or winding-up each outstanding Exchangeable Share and each holder will be required to sell all of its Exchangeable Shares (such purchase and sale obligations are hereafter referred to as the "Automatic Exchange Rights on Liquidation"). The purchase price will be satisfied by the delivery to the Trustee, on behalf of the holder, of one Newmont Common Share, together with, on the designated payment date therefor and to the extent not already paid by Exchangeco, all declared and unpaid dividends on each such Exchangeable Share.

39. Contemporaneously with the closing of the Arrangement, Newmont, Exchangeco and Callco will enter into a Support Agreement. Pursuant to the Support Agreement, Newmont has covenanted that, so long as Exchangeable Shares not owned by Newmont or its affiliates are outstanding, Newmont will, among other things: (a) not declare or pay any dividend on the Newmont Common Shares unless (i) on the same day Exchangeco declares or pays, as the case may be, an equivalent dividend on the Exchangeable Shares and (ii) Exchangeco has sufficient money or other assets or authorized but unissued securities available to enable the due declaration and the due and punctual payment, in accordance with applicable law, of an equivalent dividend on the Exchangeable Shares; (b) advise Exchangeco in advance of the declaration of any dividend on the Newmont Common Shares and take other actions reasonably necessary to ensure that the declaration date, record date and payment date for dividends on the Exchangeable Shares are the same as those for any corresponding dividends on the Newmont Common Shares; (c) ensure that the record date for any divided declared on the Newmont Common Shares is not less than seven days after the declaration date of such dividend; and (d) take all actions and do all things reasonably necessary or desirable to enable and permit Exchangeco, in accordance with applicable law, to pay the Liquidation Amount, the Retraction Price or the Redemption Price to the holders of the Exchangeable Shares in the event of a liquidation, dissolution or winding-up of Exchangeco, a retraction request by a holder of Exchangeable Shares or a redemption of Exchangeable Shares by Exchangeco, as the case may be.

40. The Support Agreement will also provide that, without the prior approval of Exchangeco and the holders of the Exchangeable Shares, actions such as distributions of stock dividends, options, rights and warrants for the purchase of securities or other assets, subdivisions, reclassifications, reorganizations and other changes cannot be taken in respect of the Newmont Common Shares without the same or an economically equivalent action being taken in respect of the Exchangeable Shares.

41. The steps under the Arrangement and the attributes of the Newmont Common Shares and Exchangeable Shares involve a number of trades and/or distributions of securities, including trades and/or distributions related to the issuance of Newmont Common Shares and Exchangeable Shares pursuant to or in connection with the Arrangement or upon the issuance of Newmont Common Shares in exchange for Exchangeable Shares or the exercise of Franco-Nevada Options. The trades and/or distributions and possible trades and/or distributions in securities to which the Arrangement gives rise (the "Trades") include the following:

(a) the issuance by Newmont of Newmont Common Shares to enable Callco to deliver Newmont Common Shares in connection with the Arrangement;

(b) the delivery of Newmont Common Shares by Callco to certain holders of Franco-Nevada Common Shares and Holdco Shares and the transfer of Franco-Nevada Common Shares or Holdco Shares by such holders to Callco;

(c) the issuance by Exchangeco of Exchangeable Shares in connection with the Arrangement and the delivery thereof to certain holders of Franco-Nevada Common Shares or Holdco Shares and the transfer of Franco-Nevada Common Shares or Holdco Shares by such holders to Exchangeco;

(d) the transfer by Callco of the Franco-Nevada Common Shares and Holdco Shares to Exchangeco and the issuance of Special Shares to Callco;

(e) the issuance and delivery of Newmont Common Shares by Newmont to a holder of a Franco-Nevada Option upon the exercise thereof;

(f) the grant to the Trustee for the benefit of holders of Exchangeable Shares pursuant to the Voting and Exchange Trust Agreement, the Automatic Exchange Right, the Automatic Exchange Rights on Liquidation and the voting rights pursuant to the Newmont Special Voting Share;

(g) the grant of the Liquidation Call Right, the Retraction Call Right and the Redemption Call Right;

(h) the issuance by Newmont, pursuant to the Voting and Exchange Trust Agreement, of the Newmont Special Voting Share to the Trustee for the benefit of the holders of the Exchangeable Shares;

(i) the issuance by Newmont of Newmont Common Shares to enable Exchangeco to deliver Newmont Common Shares to a holder of Exchangeable Shares upon its retraction of Exchangeable Shares, and the subsequent delivery thereof by Newmont (at the direction of Exchangeco) upon such retraction;

(j) the transfer of Exchangeable Shares by the holder to Exchangeco upon the holder's retraction of Exchangeable Shares;

(k) the issuance by Newmont of Newmont Common Shares to enable Callco to deliver Newmont Common Shares to a holder of Exchangeable Shares in connection with Callco's exercise of the Retraction Call Right, and the subsequent delivery thereof by Newmont (at the direction of Callco) upon such exercise of the Retraction Call Right;

(l) the transfer of Exchangeable Shares by the holder to Callco or Newmont, as the case may be, upon Callco or Newmont, as the case may be, exercising the Retraction Call Right;

(m) the issuance by Newmont of Newmont Common Shares to enable Exchangeco to deliver Newmont Common Shares to holders of Exchangeable Shares upon the redemption of the Exchangeable Shares, and the subsequent delivery thereof by Newmont (at the direction of Exchangeco) upon such redemption;

(n) the transfer of Exchangeable Shares by the holder to Exchangeco upon the redemption of Exchangeable Shares;

(o) the issuance by Newmont of Newmont Common Shares to enable Callco to deliver Newmont Common Shares to holders of Exchangeable Shares in connection with Callco's exercise of the Redemption Call Right, and the subsequent delivery thereof by Newmont (at the direction of Callco) upon such exercise of the Redemption Call Right;

(p) the transfer of Exchangeable Shares by the holder to Callco or Newmont, as the case may be, upon Callco or Newmont, as the case may be, exercising the Redemption Call Right;

(q) the issuance by Newmont of Newmont Common Shares to enable Exchangeco to deliver Newmont Common Shares to holders of Exchangeable Shares on the liquidation, dissolution or winding-up of Exchangeco and the subsequent delivery thereof by Exchangeco upon such liquidation, dissolution or winding-up;

(r) the transfer of Exchangeable Shares by the holder to Exchangeco on the liquidation, dissolution or winding-up of Exchangeco;

(s) the issuance by Newmont of Newmont Common Shares to enable Callco to transfer Newmont Common Shares to holders of Exchangeable Shares in connection with Callco's exercise of the Liquidation Call Right, and the subsequent delivery thereof by Newmont (at the direction of Callco) upon such exercise of the Liquidation Call Right;

(t) the transfer of Exchangeable Shares by the holder to Callco or Newmont, as the case may be, upon Callco or Newmont, as the case may be, exercising the Liquidation Call Right;

(u) the issuance of Newmont Common Shares by Newmont to a holder of Exchangeable Shares upon its exercise of the Automatic Exchange Rights on Liquidation; and

(v) the transfer of Exchangeable Shares by a holder to Newmont upon its exercise of the Automatic Exchange Rights on Liquidation.

42. The fundamental investment decision to be made by a holder of Franco-Nevada Common Shares, Franco-Nevada Options and Holdco Shares is made at the time of the Franco-Nevada Meeting when such holder votes in respect of the Arrangement and on February 15, 2002 (or such later date prior to the closing of the Arrangement) which is the deadline for holders to elect between receiving Exchangeable Shares or Newmont Common Shares. As a result of this decision, any holder of Franco-Nevada Common Shares or Holdco Shares (other than a holder who exercises its right of dissent) receives Exchangeable Shares or Newmont Common Shares in exchange for such Franco-Nevada Common Shares or Holdco Shares. Moreover, holders of Franco-Nevada Options will be entitled to Newmont Common Shares upon exercise thereof. As the Exchangeable Shares will provide certain Canadian tax benefits to certain Canadian holders but will otherwise have economic rights that are, as nearly as practicable, equivalent to that of the Newmont Common Shares, all subsequent exchanges of Exchangeable Shares are in furtherance of the holder's initial investment decision to acquire Newmont Common Shares on the Arrangement. Moreover, it is the information relating to Newmont not Exchangeco that will be relevant to holders of Newmont Common Shares and the Exchangeable Shares. As mentioned above, that investment decision will be made on the basis of the Circular, which contains prospectus-level disclosure of the business and affairs of each of Newmont, Exchangeco, the particulars of the Arrangement and the securities to be issued in connection therewith. The Circular also contains consolidated financial statements of Newmont and Franco-Nevada, as well as pro forma combined condensed financial statements of Newmont.

43. Newmont will send to all holders of Newmont Common Shares resident in Canada contemporaneously all disclosure material sent to holders of Newmont Common Shares resident in the United States.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met,

THE DECISION of the Decision Makers pursuant to the Legislation is that:

1. the Trades are not subject to the Registration and Prospectus Requirements, provided that:

   (a) except in Quebec, the first trade in Exchangeable Shares acquired as contemplated by this Decision will be a distribution or primary distribution to the public unless the conditions in subsections (3) or (4) of section 2.6 of Multilateral Instrument 45-102: Resale of Securities ("MI 45-102") are satisfied, and for the purpose of determining the period of time that Exchangeco has been a reporting issuer under section 2.6, the period of time that Franco-Nevada was a reporting issuer may be included; and

   (b) except in Quebec, the first trade in Newmont Common Shares acquired as contemplated by this Decision (including, for greater certainty, upon the exchange of an Exchangeable Share or upon the exercise of a Franco-Nevada Option) will be a distribution or primary distribution to the public unless, at the time of the trade:

      (i) if Newmont is a reporting issuer in any Jurisdiction listed in Appendix B to MI 45-102 other than Quebec, the conditions in subsections (3) or (4) of section 2.6 of MI 45-102 are satisfied; and

      (ii) if Newmont is not a reporting issuer in any Jurisdiction other than Quebec, such first trade is made through an exchange, or a market, outside of Canada.

2. in Quebec, to the extent that there is no exemption available from the Registration and Prospectus Requirements in respect of any of the Trades, the Trades are not subject to the Registration and Prospectus Requirements, provided that the issuer or one of the parties to the Arrangement (including, for greater certainty, Franco-Nevada) is and has been a reporting issuer in Quebec and has complied with the applicable requirements for the twelve months immediately preceding the Trades (and for the purpose of determining the period of time that the issuer or one of the parties to the Arrangement has been a reporting issuer in Quebec, the period of time that Franco-Nevada was a reporting issuer may be included).

3. the Continuous Disclosure Requirements and the Insider Reporting Requirements shall not apply to Exchangeco or any insider of Exchangeco, so long as:

   (a) Newmont sends to all holders of Exchangeable Shares resident in Canada contemporaneously, all disclosure material furnished to holders of Newmont Common Shares in the United States including, without limitation, copies of its annual and interim financial statements and sends to holders of Exchangeable Shares resident in Canada all proxy solicitation materials;

   (b) Newmont files with each Decision Maker copies of all documents required to be filed by it with the United States Securities and Exchange Commission under the United States Securities and Exchange Act of 1934 including, without limitation, copies of any Form 20-F, Form 6-K and proxy solicitation material, and all such filings are made under Exchangeco's SEDAR profile and the filing fees which would otherwise be payable by Exchangeco in connection with such filings are paid;

   (c) Newmont complies with the requirements of the United States Securities and Exchange Commission and the NYSE in respect of making public disclosure of material information on a timely basis and forthwith issues and files any press release that discloses a material change in Newmont's affairs;

   (d) Exchangeco complies with the requirements in the Legislation to issue press releases and file reports regarding material changes in respect of material changes in the affairs of Exchangeco that would be material to holders of Exchangeable Shares but would not be material to holders of Newmont Common Shares;

   (e) Newmont includes in all future mailings of proxy solicitation materials (if any) to holders of Exchangeable Shares a clear and concise statement explaining the reason for the mailed material being solely in relation to Newmont and not in relation to Exchangeco, such statement to include a reference to the economic equivalency between the Exchangeable Shares and the Newmont, Common Shares and the right to direct voting at Newmont's shareholders meetings pursuant to the Voting and Exchange Trust Agreement (without taking into account tax effects);

   (f) Newmont remains the direct or indirect beneficial owner of all the issued and outstanding common shares of Exchangeco;

(g) Exchangeco has not issued any securities to the public other than the Exchangeable Shares and the Franco-Nevada Options; and

with respect to relief from complying with the Insider Reporting Requirements, further provided that:

(h) such insider of Exchangeco does not receive or have access to information as to material facts or material changes concerning Newmont before the material facts or material changes are disclosed; or

(i) such insider of Exchangeco is not also an insider of a "major subsidiary" of Newmont (as such term is defined in National Instrument 55-101: Exemptions from Certain Insider Reporting Requirements as if Newmont were a reporting issuer).

January 30, 2002.

"R Stephen Paddon" "H. Lorne Morphy"

AND THE FURTHER DECISION of the Decision Makers is that the Local AIF and MD&A Requirements shall not apply to Exchangeco provided that the conditions set out in paragraphs 3(a) to (g) of the operative portion of the Decision are complied with.

January 30, 2002.

"Margo Paul"

2.1.8 Merrill Lynch Financial Assets Inc. and Merrill Lynch Canada Inc. - MRRS Decision

Headnote

MRRS - Variance of previously issued decision document granting relief from the independent underwriter requirement to reflect change in name of securities proposed to be issued.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am., section 144.

IN THE MATTER OF
THE CANADIAN SECURITIES LEGISLATION
OF ONTARIO, BRITISH COLUMBIA, ALBERTA, QUÉBEC
AND NEWFOUNDLAND AND LABRADOR

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
MERRILL LYNCH FINANCIAL ASSETS INC.
(formerly MERRILL LYNCH MORTGAGE LOANS INC.)
AND MERRILL LYNCH CANADA INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, British Columbia, Alberta, Québec and Newfoundland and Labrador (the "Jurisdictions") received an application from Merrill Lynch Financial Assets Inc. (formerly Merrill Lynch Mortgage Loans Inc.) (the "Issuer") and Merrill Lynch Canada Inc. ("ML Canada") (the Issuer and ML Canada are collectively referred to herein as the "Filer") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") varying the decision of the Decision Makers dated September 27, 2001 entitled "In the Matter of Merrill Lynch Financial Assets Inc. (formerly Merrill Lynch Mortgage Loans Inc.) and Merrill Lynch Canada Inc." (the "Original Decision Document"), which provided that the provision contained in the Legislation mandating independent underwriter involvement shall not apply to ML Canada and the Issuer in respect of the proposed offering of Commercial Mortgage Pass-Through Certificates, Series 2001-BC2P;

AND WHEREAS capitalized terms used herein shall have the same meaning as in the Original Decision Document, unless otherwise defined;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "MRRS") the Ontario Securities Commission is the principal regulator for this Application;

AND WHEREAS it has been represented by the Filers to the Decision Makers that:

1. the Issuer was incorporated under the laws of Canada on March 13, 1995; effective March 15, 2001, the Issuer changed its name from Merrill Lynch Mortgage Loans Inc. to Merrill Lynch Financial Assets Inc.; the head office of the Issuer is located in Toronto, Ontario;

2. the Issuer has been a "reporting issuer" pursuant to the securities legislation in certain of the provinces of Canada for over 12 calendar months;

3. the Original Decision Document granted the Filers' relief from certain provisions of the Legislation mandating independent underwriter involvement in respect of the Issuer's offering of Commercial Mortgage Pass-Through Certificates, Series 2001-BC2P;

4. the Issuer has changed the name of the certificates from "Commercial Mortgage Pass-Through Certificates, Series 2001-BC2P" to "Commercial Mortgage Pass-Through Certificates, Series 2002-BC2P" due to the fact that it is anticipated that such certificates will be issued in the year 2002, rather than 2001;

5. such certificates will retain all other attributes set out in the Original Decision Document;

AND WHEREAS pursuant to the MRRS this Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Original Decision Document is varied to delete all references to "Commercial Mortgage Pass-Through Certificates, Series 2001-BC2P" and to replace such words with "Commercial Mortgage Pass-Through Certificates, Series 2002-BC2P".

February 15, 2002.

"H. Lorne Morphy" "Mary Theresa McLeod"

2.1.9 AIM Funds Management Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - mutual fund dealer exempted from the legislative requirements that it file an application to become a member of the Mutual Fund Dealers Association of Canada (the "MFDA") and become a member of the MFDA - mutual fund dealer subject to certain terms and conditions of registration.

Applicable Statute

Securities Act, R.S.O. 1990, c. S. 5, as am.

Applicable Ontario Rule

Rule 31-506 SRO Membership - Mutual Fund Dealers, ss. 2.1, 3.1 and 5.1

Applicable Published Document

Letter sent to the Investment Funds Institute of Canada and the Investment Counsel Association of Canada, December 6, 2000, (2000) 23 OSCB 8467

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA,
SASKATCHEWAN, MANITOBA AND ONTARIO

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
AIM FUNDS MANAGEMENT INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario (the "Jurisdictions") has received an application (the "Application") from AIM Funds Management Inc. (the "Registrant") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the Registrant not be required to file an application to become a member of the Mutual Fund Dealers Association of Canada (the "MFDA") and to become a member of the MFDA.

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application.

AND WHEREAS it has been represented by the Registrant to the Decision Makers that:

1. the Registrant is a corporation subsisting under the laws of the Province of Ontario and is registered as a dealer in the category of mutual fund dealer in each of the Jurisdictions;

2. the Registrant also is registered with the Ontario Securities Commission as a limited market dealer and as an adviser in the categories of investment counsel and portfolio manager;

3. the Registrant's principal business activity is managing mutual funds (the "Mutual Funds"), the securities of which are qualified for sale to the public in some or all of the provinces and territories of Canada pursuant to prospectuses for which receipts have been issued by the relevant Canadian securities administrators;

4. the Registrant also engages in activities incidental to its principal business activities pursuant to its registration as mutual fund dealer registration;

5. the Registrant's activities as a mutual fund dealer currently represent and will continue to represent activities that are incidental to its principal business activities;

6. the Registrant has agreed to the imposition of the terms and conditions on the Registrant's registration as a mutual fund dealer set out in the attached Schedule "A", which outlines the activities the Registrant has agreed to adhere to in connection with its application for this Decision;

7. any person or company that is not currently a client of the Registrant on the effective date of this Decision, will, before they are accepted as a client of the Registrant, receive prominent written notice from the Registrant that:

   The Registrant is not currently a member, and does not intend to become a member of the Mutual Fund Dealers Association; consequently, clients of the Registrant will not have available to them investor protection benefits that would otherwise derive from membership of the Registrant in the MFDA, including coverage under any investor protection plan for clients of members of the MFDA;

8. upon the next general mailing to its account holders and in any event before May 23, 2002, the Registrant shall provide, to any client that was a client of the Registrant on the effective date of this Decision, the prominent written notice referred to in paragraph 7, above;

AND WHEREAS pursuant to the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

IT IS THE DECISION of the Decision Makers pursuant to the Legislation that, effective May 23, 2001 in Ontario; effective May 31, 2001 in Saskatchewan; effective July 1, 2001 in Manitoba; and effective January 23, 2002 in British Columbia and Alberta, the Registrant not be required to file an application to become a member of the MFDA and to become a member of the MFDA;

PROVIDED THAT:

The Registrant complies with the terms and conditions on its registration under the Legislation as a mutual fund dealer set out in the attached Schedule "A".

January 23,2002.

"Rebecca Cowdery"

Schedule "A"

TERMS AND CONDITIONS OF REGISTRATION

OF

AIM FUNDS MANAGEMENT INC.

AS A MUTUAL FUND DEALER

Definitions

1. For the purposes hereof, unless the context otherwise requires:

(a) "Act" means, in Ontario, the Securities Act, R.S.O. 1990, c.S5, as amended; in Manitoba, the Securities Act, R.S.M. 1988, c.S50, as amended; in Saskatchewan, the Securities Act, 1988, S.S. 1988, c.S-42.2, as amended; in Alberta, the Securities Act, R.S.A. 2000, c. S-4, as amended; and, in British Columbia, the Securities Act, R.S.B.C. 1996, c. 418, as amended;

(b) "Adviser" means an adviser as defined in the applicable Act;

(c) "Client Name Trade" means, for the Registrant, a trade to, or on behalf of, a person or company, in securities of a mutual fund, that is managed by the Registrant or an affiliate of the Registrant, where, immediately before the trade, the person or company, is shown on the records of the mutual fund or of an other mutual fund managed by the Registrant or an affiliate of the Registrant as the holder of securities of such mutual fund, and the trade consists of:

(A) a purchase, by the person or company, through the Registrant, of securities of the mutual fund; or

(B) a redemption, by the person or company, through the Registrant, of securities of the mutual fund;

and where, the person or company

(C) is a client of the Registrant that was not solicited by the Registrant; or

(D) was an existing client of the Registrant on the Effective Date;

(d) "Effective Date" means May 23, 2001;

(e) "Employee", for the Registrant, means:

(A) an employee of the Registrant;

(B) an employee of an affiliated entity of the Registrant; or

(C) an individual that is engaged to provide, on a bona fide basis, consulting, technical, management or other services to the Registrant or to an affiliated entity of the Registrant, under a written contract between the Registrant or the affiliated entity and the individual or a consultant company or consultant partnership of the individual, and, in the reasonable opinion of the Registrant, the individual spends or will spend a significant amount of time and attention on the affairs and business of the Registrant or an affiliated entity of the Registrant;

(f) "Employee", for a Service Provider, means an employee of the Service Provider or an affiliated entity of the Service Provider, provided that, at the relevant time, in the reasonable opinion of the Registrant, the employee spends or will spend, a significant amount of time and attention on the affairs and business of:

(A) the Registrant or an affiliated entity of the Registrant; or

(B) a mutual fund managed by the Registrant or an affiliated entity of the Registrant;

(g) "Executive", for the Registrant, means a director, officer or partner of the Registrant or of an affiliated entity of the Registrant;

(h) "Executive", for a Service Provider, means a director, officer or partner of the Service Provider or of an affiliated entity of the Service Provider;

(i) "Exempt Trade", for the Registrant, means:

(i) in Ontario, Manitoba, Saskatchewan, and British Columbia, a trade in securities of a mutual fund that is made between a person or company and an underwriter acting as purchaser or between or among underwriters;

(ii) in Ontario, a trade in securities of a mutual fund for which the Registrant would have available to it an exemption from the registration requirements of the Act if the Registrant were not a "market intermediary" as such term is defined in section 204 of the Ontario Regulation;

(iii) in Manitoba, Saskatchewan and British Columbia, a trade in securities of a mutual fund for which the Registrant would have available to it an exemption from the registration requirements of the Act; or

(iv) a trade in securities of a mutual fund for which the Registrant has received a discretionary exemption from the

registration requirements of the applicable Act;

(j) "Fund-on-Fund Trade" means a trade that consists of:

(i) a purchase, through the Registrant, of securities of a mutual fund that is made by another mutual fund;

(ii) a purchase, through the Registrant, of securities of a mutual fund that is made by a person or company where the person or company, an affiliated entity of the person or company, or an other person or company is, or will become, the counterparty in a specified derivative or swap with another mutual fund; or

(iii) a sale, through the Registrant, of securities of a mutual fund that is made by another mutual fund where the party purchasing the securities is:

(A) a mutual fund managed by the Registrant or an affiliated entity of the Registrant; or

(B) a person or company that acquired the securities where the person or company, an affiliated entity of the person or company, or an other person or company is, or was, the counterparty in a specified derivative or swap with another mutual fund; and

where, in each case, at least one of the referenced mutual funds is a mutual fund that is managed by either the Registrant or an affiliated entity of the Registrant;

(k) "In Furtherance Trade" means, for the Registrant, a trade by the Registrant that consists of any act, advertisement, or solicitation, directly or indirectly in furtherance of an other trade in securities of a mutual fund, where the other trade consists of:

(i) a purchase or sale of securities of a mutual fund that is managed by the Registrant or an affiliated entity of the Registrant; or

(ii) a purchase or sale of securities of a mutual fund where the Registrant acts as the principal distributor of the mutual fund;

and where, in each case, the purchase or sale is made by or through an other registered dealer if the Registrant is not otherwise permitted to make the purchase or sale pursuant to these terms and conditions;

(l) "Mutual Fund Instrument" means National Instrument 81-102 Mutual Funds, as amended;

(m) "Ontario Regulation" means R.R.O. 1990, Reg. 1015, as amended, made under the Ontario Act;

(n) "Permitted Client" means a person or company that is a client of the Registrant, and that is, or was at the time the person or company became a client of the Registrant:

(i) an Executive or Employee of the Registrant;

(ii) a Related Party of an Executive or Employee of the Registrant;

(iii) a Service Provider or an affiliated entity of a Service Provider;

(iv) an Executive or Employee of a Service Provider; or

(v) a Related Party of an Executive or Employee of a Service Provider;

(o) "Permitted Client Trade" means, for the Registrant, a trade to a person who is a Permitted Client or who represents to the Registrant that he or she is a person included in the definition of Permitted Client, in securities of a mutual fund that is managed by the Registrant or an affiliate of the Registrant, and the trade consists of a purchase or redemption, by the person, through the Registrant, of securities of the mutual fund;

(p) "Registered Plan" means a registered pension plan, deferred profit sharing plan, registered retirement savings plan, registered retirement income fund, registered education savings plan or other deferred income plan registered under the Income Tax Act (Canada);

(q) "Registrant" means AIM Funds Management Inc.;

(r) "Related Party", for a person, means an other person who is:

(i) the spouse of the person;

(ii) the issue of:

(A) the person,

(B) the spouse of the person, or

(C) the spouse of any person that is the issue of a person referred to in subparagraphs (A) or (B) above;

(iii) the parent, grandparent or sibling of the person, or the spouse of any of them;

(iv) the issue of any person referred to in paragraph (iii) above; or

(v) a Registered Plan established by, or for the exclusive benefit of, one, some or all of the foregoing;

(vi) a trust where one or more of the trustees is a person referred to above and the beneficiaries of the trust are restricted to one, some, or all of the foregoing;

(vii) a corporation where all the issued and outstanding shares of the corporation are owned by one, some, or all of the foregoing;

(s) "securities", for a mutual fund, means shares or units of the mutual fund;

(t) "Seed Capital Trade" means a trade in securities of a mutual fund made to a persons or company referred to in any of subparagraphs 3.1(1)(a)(i) to 3.1(1)(a)(iii) of the Mutual Fund Instrument; and

(u) "Service Provider" means:

(i) a person or company that provides or has provided professional, consulting, technical, management or other services to the Registrant or an affiliated entity of the Registrant;

(ii) an Adviser to a mutual fund that is managed by the Registrant or an affiliated entity of the Registrant; or

(iii) a person or company that provides or has provided professional, consulting, technical, management or other services to a mutual fund that is managed by the Registrant or an affiliated entity of the Registrant.

2. For the purposes hereof, a person or company is considered to be an "affiliated entity" of an other person or company if the person or company would be an affiliated entity of that other person or company for the purposes of Ontario Securities Commission Rule 45-503 Trades To Employees, Executives and Consultants and British Columbia Instrument 45-507 Trades to Employees, Executives and Consultants.

3. For the purposes hereof:

(a) "issue" and "sibling" includes any person having such relationship through adoption, whether legally or in fact;

(b) "parent" and "grandparent" includes a parent or grandparent through adoption, whether legally or in fact;

(c) "registered dealer" means a person or company that is registered under the Act as a dealer in a category that permits the person or company to act as dealer for the subject trade; and

(d) "spouse", for an Employee or Executive, means a person who, at the relevant time, is the spouse of the Employee or Executive.

4. Any terms that are not specifically defined above shall, unless the context otherwise requires, have the meaning:

(a) specifically ascribed to such term in the Mutual Fund Instrument; or

(b) if no meaning is specifically ascribed to such term in the Mutual Fund Instrument, the same meaning the term would have for the purposes of the Act.

Restricted Registration

Permitted Activities

5. The registration of the Registrant as a mutual fund dealer under the Act shall be for the purposes only of trading by the Registrant in securities of a mutual fund where the trade consists of:

(a) a Client Name Trade;

(b) an Exempt Trade;

(c) a Fund-on-Fund Trade;

(d) an In Furtherance Trade;

(e) a Permitted Client Trade; or

(f) a Seed Capital Trade;

provided that, in the case of all trades that are only referred to in clauses (a) or (e), the trades are limited and incidental to the principal business of the Registrant.

2.2 Orders

2.2.1 Roger Arnold Dent - Order and Settlement Agreement

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c. S.5, as amended

AND

IN THE MATTER OF
ROGER ARNOLD DENT

ORDER

WHEREAS on December 17, 2001, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act") in respect of Roger Arnold Dent ("Dent");

AND WHEREAS Dent entered into a settlement agreement dated December 17, 2001 (the "Settlement Agreement") in which it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission ("Staff"), and upon hearing submissions from counsel for Dent and from Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement dated December 17, 2001, attached to this Order, is hereby approved;

2. pursuant to subsection 127(1)(6) of the Act, Dent is hereby reprimanded; and

3. pursuant to subsection 127.1(2)(b) of the Act, at the time of approval of this settlement, Dent is ordered to pay $10,000 to the Commission in respect of a portion of the Commission's costs with respect to this matter.

December 19, 2001.

"Howard Wetston" "MT McLeod"

"Derek Brown"

IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
ROGER ARNOLD DENT

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Hearing dated December 17, 2001 (the "Notice of Hearing"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing to consider whether, pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act"), it is in the public interest for the Commission:

   (a) to make an order approving the proposed settlement entered into between Staff of the Commission ("Staff") and Roger Arnold Dent ("Dent") of this proceeding, pursuant to sections 127 and 127.1 of the Act, which approval will be sought jointly by Staff and Dent;

   (b) to make an order that the respondent Dent be reprimanded; and

   (c) to make an order that the respondent Dent pay costs to the Commission.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff agree to recommend settlement of the proceeding initiated in respect of the respondent Dent by the Notice of Hearing in accordance with the terms and conditions set out below. Dent consents to the making of an order against him in the form attached as Schedule "A" on the basis of the facts set out below.

III. STATEMENT OF FACTS

ACKNOWLEDGEMENT

3. Solely for the purpose of this proceeding, Dent agrees with the facts as set out in this Part III.

FACTS

YORKTON SECURITIES INC.

4. Yorkton Securities Inc. ("Yorkton") is registered as, among other things, a broker and investment dealer under the Act and is a member of, among other things, the Toronto Stock Exchange (the "TSE") and the Investment Dealers Association of Canada (the "IDA"). Yorkton is an employee-owned firm with over 600 employees. Yorkton is a wholly-owned subsidiary of Yorkton Financial Inc.

5. Dent has been registered since September 1998 as a trading officer and director with the title of

Vice-Chairman, Executive Vice-President and Director of Research of Yorkton. Dent was registered as a trading officer with the title of Vice-President and Director from March 19, 1997 to March 9, 1998, and as Executive Vice-President from March 9, 1998 to September 8, 1998.

6. The conduct of Dent that is the subject matter of this Settlement Agreement occurred prior to February 2001 (the "Material Time").

GTR GROUP INC.

7. GTR Group Inc. ("GTR") was the continuing company formed through the reverse take-over (the "RTO") by Games Trader Inc. ("GTI") of the listed "shell" then known as Xencet Investments Inc. ("Xencet") in October 1998 and the concurrent exchange of securities with shareholders of 1308129 Ontario Inc. ("1308129"). Effective September 5, 2001, GTR changed its name to Mad Catz Interactive Inc. During the Material Time GTR was a reporting issuer in British Columbia, Alberta and Ontario and its common shares were listed and posted for trading on the TSE under the symbol GTR.

8. During the Material Time GTR carried on business through two operating subsidiaries. Through the first of those subsidiaries (which carried on business under the name "Games Trader"), GTR was a supplier of video games to mass merchant and specialty retailers in the United States and Canada, with its principal business activity being the sourcing, refurbishing, repackaging and distribution of previously played video game software. Through the second of those subsidiaries, GTR designed, developed, manufactured (through third parties) and marketed interactive video game control devices and accessories.

9. GTI was, until it was taken public through the RTO, a closely-held company that carried on the business later operated under the "Games Trader" name.

1. Investments by Yorkton Group in GTI

10. In March 1997, Capital Canada Limited ("CCL") made a presentation to representatives of Yorkton concerning an opportunity to participate in the acquisition and financing of GTI. In this presentation, CCL expressed the view that individuals at Yorkton should acquire shares in GTI as a sign of their good faith.

11. In response to this presentation, ultimately Yorkton acquired 250,000 common shares, representing approximately 6% of the outstanding common shares of GTI. Yorkton then transferred for value those shares to various persons and entities including Dent and other Yorkton personnel (collectively, the "Yorkton Group").

2. Xencet

12. Xencet was incorporated in 1993 as a "junior capital pool" under the name Patch Ventures Inc. ("Patch"). In 1994, Patch acquired all of the issued and outstanding shares of Legacy Manufacturing Corporation pursuant to a reverse take-over, following which the name of the company was changed to Legacy Storage Systems International Inc. ("Legacy"). In 1995, Legacy's shares were listed and posted for trading on the TSE.

13. Since 1995, Yorkton has regularly acted as underwriter and financial advisor for Xencet and its predecessor companies and was also a security holder. In particular, Yorkton was the underwriter in respect of two special warrant offerings of Legacy completed in May 1995 and December 1995, and the underwriter in respect of the unit offering of Legacy completed in March 1996. Yorkton also acted as financial advisor to Legacy in connection with the acquisition by Legacy of shares and assets of Rexon Inc., completed in March 1996. Legacy subsequently changed its name to Tecmar Technologies International Inc. in December 1996. In January 1998, its name again was changed to Xencet Investments Inc. ("Xencet") in connection with the proposed sale of the last of its operating businesses.

14. Upon completion of the sale of the last of Xencet's operating businesses, in mid-February 1998, Xencet had no significant operations. It held cash and cash equivalents in excess of $7.5 million. Its only other asset was a listing on the TSE. To preserve this listing, the TSE required that Xencet enter into a legally binding agreement by August 18, 1998 to acquire an operating business that, if completed, would result in Xencet meeting the original listing requirements of the TSE. Failing that, the shares of Xencet would be de-listed.

3. Xencet and GTI RTO

15. In March 1998, employees of Yorkton reviewed possible merger or RTO candidates and reported the results of the review to the Xencet Board.

16. Through 1997 and into 1998, representatives of GTI met with Yorkton's employees, on various occasions to discuss the timing of an initial public offering of GTI and the company's financing requirements. As described below, in March 1998 and the months that followed, certain Yorkton senior officers and investment bankers were acting as financial advisors to GTI.

17. On or about April 16, 1998, Dent, along with certain Yorkton employees met with the President of GTI for a general business update on GTI. Yorkton's Vice-President and Director of Investment Banking for the Media, Entertainment & Leisure Group arranged for the GTI President to give a presentation to the then President of Yorkton, on or about April 24, 1998.

18. At the meeting on April 24, 1998, GTI was advised of a TSE-listed company that was looking for merger or acquisition candidates. Shortly after this meeting, discussions ensued concerning a possible transaction, and the identity of Xencet was disclosed to GTI.

19. During April and May 1998, GTI was in discussions with Movies & Games 4 Sale, L.P. ("M4S"), a Dallas-based private limited partnership engaged in the same type of

business as GTI, with respect to the possible combination of the businesses of GTI and M4S.

20. In early May, Xencet and GTI negotiated the share exchange ratio in respect of the three businesses, such that Xencet, GTI and M4S were agreed to be valued as one-third interests of the proposed business combination.

21. On or about June 12, 1998, it was determined by the interested parties that the proposed merger/RTO would no longer include M4S as a party to the transaction.

22. On or about June 16, 1998, Xencet and GTI reached an agreement in respect of the share exchange ratio for the proposed RTO of GTI and Xencet. The parties agreed to a 50/50 share exchange ratio. The share exchange ratio agreed to by the parties was not publicly announced at this time. The information concerning the share exchange ratio agreed to by Xencet and GTI was available to Dent in or about mid-June 1998 by virtue of his role. On Friday, June 19, 1998, Xencet and GTI also entered into a confidentiality agreement, and began to exchange information under that agreement on Monday, June 22, 1998.

23. In order to proceed with the proposed RTO, GTI also approached the shareholders of GTI and requested that the original shareholders (which included Dent and two other senior officers of Yorkton) purchase shares from the founder of GTI.

24. On June 30, 1998, Dent and certain of his relatives purchased 30,990 shares of GTI.

25. On July 31, 1998, Xencet and GTI entered into an acquisition agreement (the "Acquisition Agreement"), as amended and restated on August 20, 1998, providing for the acquisition of all the issued and outstanding common shares of GTI, pursuant to securities exchange agreements to be entered into with the holders of GTI common shares in exchange for units of Xencet comprised of common shares and a fractional number of common share purchase warrants.

26. The RTO transaction was publicly announced by Xencet on August 26, 1998, which announcement included disclosure to the share exchange ratio agreed to by Xencet and GTI, as reflected in the Acquisition Agreement, as amended and restated on August 20, 1998. The RTO was completed by October 30, 1998, and the name of the company was changed to Games Traders Inc. ("GTR") as of November 11, 1998. Following the RTO, the common shares of Xencet/GTR traded on the TSE at prices substantially above the price of the GTI shares purchased by Dent on June 30, 1998.

BOOK4GOLF.COM CORPORATION

27. Book4golf.com Corporation ("Book4golf") has since September 22, 1999 been incorporated pursuant to the Canada Business Corporations Act. Book4golf is the developer and owner of Book4golf.com, an e-commerce Web portal that allows golfers to book tee times at various types of golf courses over the Internet. Book4golf is a reporting issuer in British Columbia and Ontario. The common shares of Book4golf are listed and posted for trading on the Canadian Venture Exchange ("CDNX") under the symbol BFG.

28. Dent, Yorkton's Director of Research, became a director of Book4golf on September 22, 1999 and resigned as a director effective January 10, 2001.

Book4golf Research Reports

29. Yorkton commenced research coverage of Book4golf effective February 1, 2000. On February 1, 2000, Yorkton issued a "Research Comment" about Book4golf authored by a Yorkton Research Analyst (the "Yorkton Research Analyst"), that contained a "strong buy" recommendation. The Research Comment disclosed that Yorkton had acted as "agent for financing of or financial advisor for" Book4golf within the preceding three years, but did not disclose that Dent was a director of Book4golf.

30. The strong buy recommendation was repeated in research documents on Book4golf authored by the Yorkton Research Analyst dated March 17, 2000; March 22, 2000; April 11, 2000; April 28, 2000; May 3, 2000; June 5, 2000; June 26, 2000; July 17, 2000 and July 31, 2000, variously titled as "Online", "The Wake-Up Call" and "Research Comment". The Yorkton Research Analyst authored two further research documents dated September 26, 2000 and October 16, 2000 in which Yorkton's recommendations changed from "strong buy" to "speculative buy". Each of the foregoing documents (collectively, referred to as the "Research Reports") disclosed that Yorkton had acted as "agent for financing of or financial advisor for" Book4golf, but did not disclose that Dent was a director of Book4golf.

31. The research document dated January 11, 2001, titled "The Wake-Up Call" authored by the Yorkton Research Analyst disclosed that Dent had stepped down as director of Book4golf.

32. During the material time, Dent supervised the Yorkton Research Analyst.

33. At no time did Dent instruct or direct the Yorkton Research Analyst to disclose in the Research Reports that Dent was a director of Book4golf or the existence of a conflict of interest arising from Dent's position as a Book4golf director and Yorkton's research coverage of Book4golf.

STORAGE ONE MARCH 1999 PRIVATE PLACEMENT

34. On February 2, 1999, Storage One announced a proposed private placement offering up to a maximum of 2,920,000 units of Storage One at a price of $0.10 per unit. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $.15 per share for a period of two years from the closing date. The private placement closed on

March 5, 1999, (the "Storage One Placement"). The Storage One Placement was completed under several private placement exemptions.

35. Following the completion of the Storage One Placement, Yorkton Staff approached Yorkton's Chairman and Chief Executive Officer ("CEO") and expressed their disappointment that their clients did not have an opportunity to participate in the recent offering. Yorkton's CEO contacted Alberta counsel to Storage One to determine if certain investors in the Storage One Placement would consider selling their units.

36. As a result of the request made by Yorkton's CEO, arrangements were made on or about July 7, 1999, through Storage One's Alberta counsel, for the sale of approximately 1,062,500 shares of Storage One from an offshore corporation to 17 persons, 12 of which were clients of Yorkton. Yorkton's CEO advised Yorkton personnel that the Storage One shares could only be sold to a non pro client.

37. Dent understood the requirement that Storage One shares be sold to a non pro client, but nonetheless arranged for the sale of 40,000 Storage One shares to a close relative and loaned his close relative funds to purchase shares.

CONDUCT CONTRARY TO THE PUBLIC INTEREST

38. Dent's conduct was contrary to the public interest for the reasons set out below.

39. Dent's purchase of GTI shares on June 30, 1998 placed Dent in a conflict of interest, given his position as a registrant, and either Dent's knowledge of undisclosed information in respect of the proposed RTO or the availability to Dent of such undisclosed information by virtue of Dent's position in Yorkton.

40. Dent's conduct was contrary to the public interest in that he failed to direct or instruct the Yorkton Research Analyst to disclose in the Research Reports Dent's position as a director of Book4golf. Dent further failed to direct or instruct the Yorkton Research Analyst that the Research Reports disclose the existence of a conflict of interest arising from Dent's position as a director of Book4golf and the research coverage provided by Yorkton in the Research Reports.

41. As described in paragraphs 34 to 37 above, Dent's conduct was contrary to the public interest in that Dent arranged for the sale of Storage One shares to a close relative, and loaned his close relative funds to purchase shares, in conflict with the interests of Yorkton's clients.

IV. TERMS OF SETTLEMENT

42. Dent agrees to the following terms of settlement:

(a) at the time of approval of this settlement agreement, Dent will make a voluntary payment to the Commission in the amount of $50,000, such payment to be allocated to such third parties as the Commission may determine for purposes that will benefit Ontario investors;

(b) that the Commission make an order under subsection 127(1)(6) of the Act that Dent be reprimanded; and

(c) that the Commission make an order under subsection 127.1(1)(b) of the Act that Dent make payment to the Commission in the amount of $10,000 in respect of the costs of the Commission's investigation in relation to this proceeding, such payment to be made at the time of approval of this settlement.

V. CONSENT

43. Dent hereby consents to an order of the Commission incorporating the provisions of Part IV above in the form of an order attached as Schedule "A".

VI. STAFF COMMITMENT

44. If this settlement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Dent respecting the facts set out in Part III of this Settlement Agreement. If the related settlement entered into between Staff and Yorkton Securities Inc. dated December 14, 2001 is approved by the Commission (the "Yorkton Settlement Agreement"), Staff will not initiate any other proceeding under the Act against Dent respecting the facts set out in Part III of the Yorkton Settlement Agreement.

VII. APPROVAL OF SETTLEMENT

45. Approval of the settlement set out in this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for December 19, 2001, or such other date as may be agreed to by Staff and the respondent (the "Settlement Hearing").

46. Counsel for Staff or for Dent may refer to any part, or all, of this Settlement Agreement at the Settlement Hearing. Staff and Dent agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

47. If this settlement is approved by the Commission, Dent agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the Act.

48. Staff and Dent agree that if this settlement is approved by the Commission, they will not make any public statement inconsistent with this Settlement Agreement.

49. If, for any reason whatsoever, this settlement is not approved by the Commission, or an order in the form attached as Schedule "A" is not made by the Commission;

(a) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Dent leading up to its

presentation at the Settlement Hearing, shall be without prejudice to Staff and Dent;

(b) Staff and Dent shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by this Settlement Agreement or the settlement discussions/negotiations;

(c) the terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person except with the written consent of Staff and Dent, or as may be required by law; and

(d) Dent agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement, the settlement discussions/negotiations or the process of approval of this Settlement Agreement as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

VIII. DISCLOSURE OF AGREEMENT

50. Except as permitted under paragraph 49 above, this Settlement Agreement and its terms will be treated as confidential by Staff and Dent until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission, except with the written consent of Staff and Dent, or as may be required by law.

51. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission.

IX. EXECUTION OF SETTLEMENT AGREEMENT

52. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

53. A facsimile copy of any signature shall be as effective as an original signature.

December 17, 2001.

_____
WITNESS

_____
ROGER ARNOLD DENT

DATED this 17th day of December, 2001.

STAFF OF THE
ONTARIO SECURITIES COMMISSION

(Per)_____
Michael Watson
Director, Enforcement Branch

Schedule "A"

IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, as amended

AND

IN THE MATTER OF
ROGER ARNOLD DENT

ORDER

WHEREAS on December 17, 2001, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act") in respect of Roger Arnold Dent ("Dent");

AND WHEREAS Dent entered into a settlement agreement dated December 17, 2001 (the "Settlement Agreement") in which it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission ("Staff"), and upon hearing submissions from counsel for Dent and from Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement dated December 17, 2001, attached to this Order, is hereby approved;

2. pursuant to subsection 127(1)(6) of the Act, Dent is hereby reprimanded; and

3. pursuant to subsection 127.1(2)(b) of the Act, at the time of approval of this settlement, Dent is ordered to pay $10,000 to the Commission in respect of a portion of the Commission's costs with respect to this matter.

December 19, 2001.

2.2.2 Alkarim Jivraj - Order and Settlement Agreement

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c. S.5, as amended

AND

IN THE MATTER OF
ALKARIM JIVRAJ

ORDER

WHEREAS on December 17, 2001, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act") in respect of Alkarim Jivraj ("Jivraj");

AND WHEREAS Alkarim Jivraj ("Jivraj") entered into a settlement agreement dated December 17, 2001 (the "Settlement Agreement") in which it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission ("Staff"), and upon hearing submissions from counsel for Jivraj and from Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement dated December 17, 2001, attached to this Order, is hereby approved;

2. pursuant to subsection 127(1)(6) of the Act, Jivraj is hereby reprimanded; and

3. pursuant to subsection 127.1(2)(b) of the Act, at the time of approval of this settlement, Jivraj is ordered to pay $5,000 to the Commission in respect of a portion of the Commission's costs with respect to this matter.

December 19, 2001.

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
ALKARIM JIVRAJ

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Hearing dated December 17, 2001 (the "Notice of Hearing"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing to consider whether, pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act"), it is in the public interest for the Commission:

   (a) to make an order approving the proposed settlement entered into between Staff of the Commission ("Staff") and Alkarim Jivraj ("Jivraj") of this proceeding, pursuant to sections 127 and 127.1 of the Act, which approval will be sought jointly by Staff and Jivraj;

   (b) to make an order that the respondent Jivraj be reprimanded;

   (c) to make an order that the respondent Jivraj pay costs to the Commission.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff agree to recommend settlement of the proceeding initiated in respect of the respondent Jivraj by the Notice of Hearing in accordance with the terms and conditions set out below. Jivraj consents to the making of an order against him in the form attached as Schedule "A" on the basis of the facts set out below.

III. STATEMENT OF FACTS

ACKNOWLEDGEMENT

3. For the purpose of this proceeding only Jivraj agrees with the facts as set out in this Part III.

FACTS

YORKTON SECURITIES INC.

4. Yorkton Securities Inc. ("Yorkton") is registered as, among other things, a broker and investment dealer under the Act and is a member of, among other things, The Toronto Stock Exchange (the "TSE") and the Investment Dealers Association of Canada (the "IDA"). Yorkton is an employee-owned firm with over 600 employees. Yorkton is a wholly-owned subsidiary of Yorkton Financial Inc.

5. Jivraj is an investment banker who has been employed at Yorkton since 1996. In 1998, Jivraj was employed by Yorkton as an Associate working under the supervision of the head of investment banking. Later, Jivraj was registered as an approved, non-trading officer with the title of Vice-President and Director from May 24, 2000 to March 12, 2001. Since March 12, 2001 Jivraj has been registered as an approved, non-trading officer with the title of Vice-President and Managing Director, Technology Investment.

6. The conduct of Jivraj that is the subject matter of this Settlement Agreement occurred prior to February 2001 (the "Material Time").

XENCET AND GTI RTO

7. GTR Group Inc. ("GTR") was the continuing company formed through the reverse take-over (the "RTO") by Games Trader Inc. ("GTI") of the listed "shell" then known as Xencet Investments Inc. ("Xencet") in October 1998 and the concurrent exchange of securities with shareholders of 1308129 Ontario Inc. ("1308129"). Effective September 5, 2001, GTR changed its name to Mad Catz Interactive Inc. During the Material Time GTR was a reporting issuer in British Columbia, Alberta and Ontario and its common shares were listed and posted for trading on the TSE under the symbol GTR.

8. During the Material Time GTR carried on business through two operating subsidiaries. Through the first of those subsidiaries (which carried on business under the name "Games Trader"), GTR was a supplier of video games to mass merchant and specialty retailers in the United States and Canada, with its principal business activity being the sourcing, refurbishing, repackaging and distribution of previously played video game software. Through the second of those subsidiaries, GTR designed, developed, manufactured (through third parties) and marketed interactive video game control devices and accessories.

9. GTI was, until it was taken public through the RTO, a closely-held company that carried on the business later operated under the "Games Trader" name.

10. Xencet Investments Inc. ("Xencet") was a TSE listed company. In mid February 1998, Xencet had no significant operations. It held cash and cash equivalents in excess of $7.5 million. Its only other asset was a listing on the TSE. To preserve this listing, the TSE required that Xencet enter into a legally binding agreement by August 18, 1998 to acquire an operating business that, if completed, would result in Xencet meeting the original listing requirements of the TSE.

11. In or about late July 1998, Jivraj was formally assigned to the Xencet/GTI RTO transaction, although Jivraj had information regarding the RTO prior to that date. Jivraj's primary responsibility was to close the financing transaction concurrent with the RTO.

12. On July 31, 1998, Xencet and GTI entered into an acquisition agreement (the "Acquisition Agreement"), as amended and restated on August 20, 1998, providing for the acquisition of all the issued and outstanding common shares of GTI, pursuant to securities exchange agreements to be entered into with the holders of GTI common shares in exchange for units of Xencet comprised of common shares and a fractional number of common share purchase warrants.

13. The share ratio agreed to by Xencet and GTI, as reflected in the Acquisition Agreement, was as follows:

"On the terms and subject to the conditions set out herein and in the Securities Exchange Agreement, the transactions contemplated by this Agreement shall be effected by the implementation of the following steps on the Closing Date:

(a) Xencet shall acquire all of the GTI Securities from the GTI Securityholders in exchange for an aggregate of:

(i) 10,300,000 Xencet Common Shares: and

(ii) 1,000,000 Xencet Series A Warrants;

(b) Peter Kozicz shall receive options to purchase 514,884 common shares of Xencet exercisable until April 7, 2000 for the Kozicz Options held by him, it being the intent that the options to be granted to Peter Kozicz will be granted at the market price of the common shares of Xencet, as agreed to with the TSE, and that the accrued gain in the Kozicz Options, being the excess of the exercise price per share of the options to be granted by Xencet to Peter Kozicz over $0.4017 (the "Excess Amount") will be treated as a pre-payment of a portion of the exercise price per share payable under such options equal to the Excess Amount per share of the options to be granted to Peter Kozicz, so that Peter Kozicz is in the same economic position as if he continued to hold the Kozicz Options, and the TSE shall have approved the issuance of such options on the foregoing terms on or before August 12, 1998."

The Acquisition Agreement and the terms contained therein were not then publicly available.

14. In mid-1998, Jivraj became aware that several senior Yorkton officers had purchased shares in GTI.

15. In mid-1998, Jivraj approached Yorkton's then President and proposed that Yorkton's then President sell to him common shares in GTI. Yorkton's then President agreed to sell a portion of his position in GTI, subject to shareholder approval of the transfer to Jivraj.

16. On August 19, 1998, Jivraj completed the purchase of 2,217 common shares of GTI from the holding company of Yorkton's then President, for $1,441.05. The transfer was approved by a shareholder's resolution dated August 19, 1998.

17. The RTO Transaction was publicly announced by Xencet on August 26, 1998, which announcement included disclosure of the share exchange ratio agreed to by Xencet and GTI as reflected in the Acquisition Agreement, as amended and restated on August 20, 1998. The RTO was completed by October 30, 1998, and the name of the company was changed to Games Traders Inc. ("GTR") as of November 11, 1998. Following the RTO, the common shares of Xencet/GTR traded on the TSE at prices above the price of the GTI shares purchased by Jivraj in August of 1998. However, the shares of GTI acquired by Jivraj were subject to an escrow agreement and were not traded by Jivraj until March, 2000.

CONDUCT CONTRARY TO THE PUBLIC INTEREST

18. Jivraj's purchase of GTI shares was contrary to the public interest given his position as an investment banker, the nature of his involvement in assisting GTI with its financing, and either Jivraj's knowledge of undisclosed information in respect of the proposed RTO or the availability to Jivraj of such undisclosed information by virtue of his role in assisting GTI on the proposed RTO.

IV. TERMS OF SETTLEMENT

19. Jivraj agrees to the following terms of settlement:

    (a) at the time of approval of this settlement agreement, Jivraj will make a voluntary payment to the Commission in the amount of $10,000, such payment to be allocated to such third parties as the Commission may determine for purposes that will benefit Ontario investors;

    (b) that the Commission make an order under subsection 127(1)(6) of the Act that Jivraj be reprimanded; and

    (c) that the Commission make an order under subsection 127.1(1)(b) of the Act that Jivraj make payment to the Commission in the amount of $5,000 in respect of the costs of the Commission's investigation in relation to this proceeding, such payment to be made at the time of approval of this settlement.

V. CONSENT

20. Jivraj hereby consents to an order of the Commission incorporating the provisions of Part IV above in the form of an order attached as Schedule "A".

VI. STAFF COMMITMENT

21. If this settlement is approved by the Commission, Staff will not initiate any other proceeding under the Securities Act, R.S.O. 1990, c. S.5 against Jivraj respecting the facts set out in Part III of this Settlement Agreement.

VII. APPROVAL OF SETTLEMENT

22. Approval of the settlement set out in this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for December 19, 2001, or such other date as may be agreed to by Staff and the respondent (the "Settlement Hearing").

23. Counsel for Staff or for Jivraj may refer to any part, or all, of this Settlement Agreement at the Settlement Hearing. Staff and Jivraj agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

24. If this settlement is approved by the Commission, Jivraj agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the Act.

25. Staff and Jivraj agree that if this settlement is approved by the Commission, they will not make any public statement inconsistent with this Settlement Agreement.

26. If, for any reason whatsoever, this settlement is not approved by the Commission, or an order in the form attached as Schedule "A" is not made by the Commission;

    (a) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Jivraj leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Jivraj;

    (b) Staff and Jivraj shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by this Settlement Agreement or the settlement discussions/negotiations;

    (c) the terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person except with the written consent of Staff and Jivraj , or as may be required by law; and

    (d) Jivraj agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement, the settlement discussions/negotiations or the process of approval of this Settlement Agreement as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

VIII. DISCLOSURE OF AGREEMENT

43. Except as permitted under paragraph 42 above, this Settlement Agreement and its terms will be treated as confidential by Staff and Jivraj until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission,

except with the written consent of Staff and Jivraj, or as may be required by law.

44. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission.

IX. EXECUTION OF SETTLEMENT AGREEMENT

45. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

46. A facsimile copy of any signature shall be as effective as an original signature.

December 17, 2001.

_____
WITNESS

_____
ALKARIM JIVRAJ

DATED this 17th day of December, 2001.

STAFF OF THE
ONTARIO SECURITIES COMMISSION

(Per)_____
Michael Watson
Director, Enforcement Branch

Schedule "A"

IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, as amended

AND

IN THE MATTER OF
ALKARIM JIVRAJ

ORDER

WHEREAS on December 17, 2001, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act") in respect of Alkarim Jivraj ("Jivraj");

AND WHEREAS Alkarim Jivraj ("Jivraj") entered into a settlement agreement dated December 17, 2001 (the "Settlement Agreement") in which it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission ("Staff"), and upon hearing submissions from counsel for Jivraj and from Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement dated December 17, 2001, attached to this Order, is hereby approved;

2. pursuant to subsection 127(1)(6) of the Act, Jivraj is hereby reprimanded; and

3. pursuant to subsection 127.1(2)(b) of the Act, at the time of approval of this settlement, Jivraj is ordered to pay $5,000 to the Commission in respect of a portion of the Commission's costs with respect to this matter.

December 19, 2001.

2.2.3 Nelson Charles Smith - Order and Settlement Agreement

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c. S.5, as amended

AND

IN THE MATTER OF
NELSON CHARLES SMITH

ORDER

WHEREAS on December 17, 2001, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act") in respect of Nelson Charles Smith ("Smith");

AND WHEREAS Smith entered into a settlement agreement dated December 17, 2001 (the "Settlement Agreement") in which he agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission ("Staff"), and upon hearing submissions from counsel for Smith and from Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement dated December 17, 2001, attached to this Order, is hereby approved;

2. pursuant to subsection 127(1)(6) of the Act, Smith is hereby reprimanded; and

3. pursuant to subsection 127.1(2)(b) of the Act, at the time of approval of this Settlement, Smith is ordered to pay $5,000 to the Commission in respect of a portion of the Commission's costs with respect to this matter.

December 19, 2001.

"Howard Wetston" "M T McLeod"

"Derek Brown"

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
NELSON CHARLES SMITH

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Hearing dated December 17, 2001 (the "Notice of Hearing"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing to consider whether, pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act"), it is in the public interest for the Commission:

   (a) to make an order approving the proposed settlement entered into between Staff of the Commission ("Staff") and Nelson Charles Smith ("Smith") of this proceeding, pursuant to sections 127 and 127.1 of the Act, which approval will be sought jointly by Staff and Smith;

   (b) to make an order that the respondent Smith be reprimanded; and

   (c) to make an order that the respondent Smith pay costs to the Commission.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff agree to recommend settlement of the proceeding initiated in respect of the respondent Smith by the Notice of Hearing in accordance with the terms and conditions set out below. Smith consents to the making of an order against him in the form attached as Schedule "A" on the basis of the facts set out below.

III. STATEMENT OF FACTS

ACKNOWLEDGEMENT

3. Solely for the purpose of this proceeding, Smith agrees with the facts as set out in this Part III.

FACTS

YORKTON SECURITIES INC.

4. Yorkton Securities Inc. ("Yorkton") is registered as, among other things, a broker and investment dealer under the Act and is a member of, among other things, the Toronto Stock Exchange (the "TSE") and the Investment Dealers Association of Canada (the "IDA"). Yorkton is an employee-owned firm with over 600 employees. Yorkton is a wholly-owned subsidiary of Yorkton Financial Inc.

5. Smith is, and has been registered since March 26, 2001, as a trading officer with the titles of Vice-President and Managing Director, Head of Investment Banking. Smith was registered as a trading officer with the title of Vice-President from November 9, 1995 to January 30, 1997, and from January 30, 1997 to March 26, 2001 as Vice-President and Director of Investment Banking for the Media, Entertainment & Leisure Group.

6. The conduct of Smith that is the subject matter of this Settlement Agreement occurred prior to February 2001 (the "Material Time").

GTR GROUP INC.

7. GTR Group Inc. ("GTR") was the continuing company formed through the reverse take-over (the "RTO") by Games Trader Inc. ("GTI") of the listed "shell" then known as Xencet Investments Inc. ("Xencet") in October 1998 and the concurrent exchange of securities with shareholders of 1308129 Ontario Inc. ("1308129"). Effective September 5, 2001, GTR changed its name to Mad Catz Interactive Inc. During the Material Time GTR was a reporting issuer in British Columbia, Alberta and Ontario and its common shares were listed and posted for trading on the TSE under the symbol GTR.

8. During the Material Time GTR carried on business through two operating subsidiaries. Through the first of those subsidiaries (which carried on business under the name "Games Trader"), GTR was a supplier of video games to mass merchant and specialty retailers in the United States and Canada, with its principal business activity being the sourcing, refurbishing, repackaging and distribution of previously played video game software. Through the second of those subsidiaries, GTR designed, developed, manufactured (through third parties) and marketed interactive video game control devices and accessories.

9. GTI was, until it was taken public through the RTO, a closely-held company that carried on the business later operated under the "Games Trader" name.

1. Investments by Yorkton Group in GTI

10. In March 1997, Capital Canada Limited ("CCL") made a presentation to representatives of Yorkton concerning an opportunity to participate in the acquisition and financing of GTI. In this presentation, CCL expressed the view that individuals at Yorkton should acquire shares in GTI as a sign of their good faith.

11. In response to this presentation, ultimately Yorkton acquired 250,000 common shares, representing approximately 6% of outstanding common shares of GTI. Yorkton then transferred those shares for value to various persons and entities including Smith and other senior officers of Yorkton (collectively, the "Yorkton Group").

2. Xencet

12. Xencet was incorporated in 1993 as a "junior capital pool" under the name Patch Ventures Inc. ("Patch"). In 1994, Patch acquired all of the issued and outstanding shares of Legacy Manufacturing Corporation pursuant to a reverse take-over, following which the name of the company was changed to Legacy Storage Systems International Inc. ("Legacy"). In 1995, Legacy's shares were listed and posted for trading on the TSE.

13. Since 1995, Yorkton has regularly acted as underwriter and financial advisor for Xencet and its predecessor companies and was also a security holder. In particular, Yorkton was the underwriter in respect of two special warrant offerings of Legacy completed in May 1995 and December 1995, and the underwriter in respect of the unit offering of Legacy completed in March 1996. Yorkton also acted as financial advisor to Legacy in connection with the acquisition by Legacy of shares and assets of Rexon Inc., completed in March 1996. Legacy subsequently changed its name to Tecmar Technologies International Inc. in December 1996. In January 1998, its name again was changed to Xencet Investments Inc. ("Xencet") in connection with the proposed sale of the last of its operating businesses.

14. Upon completion of the sale of the last of Xencet's operating businesses, in mid-February 1998, Xencet had no significant operations. It held cash and cash equivalents in excess of $7.5 million. Its only other asset was a listing on the TSE. To preserve this listing, the TSE required that Xencet enter into a legally binding agreement by August 18, 1998 to acquire an operating business that, if completed, would result in Xencet meeting the original listing requirements of the TSE. Failing that, the shares of Xencet would be de-listed.

3. Xencet and GTI RTO

15. In March 1998, employees of Yorkton other than Smith reviewed possible merger or RTO candidates and reported the results of the review to the Xencet Board.

16. Through 1997 and into 1998, representatives of GTI met with Smith and other Yorkton employees, on various occasions to discuss the timing of an initial public offering of GTI and the company's financing requirements. As described below, in March 1998 and the months that followed, certain Yorkton senior officers and investment bankers, including Smith, were acting as financial advisors to GTI.

17. On or about April 16, 1998, Smith and other Yorkton employees, met with the President of GTI for a general business update on GTI. Smith arranged for the GTI President to give a presentation to Yorkton's then President on or about April 24, 1998.

18. At the meeting on April 24, 1998, GTI was advised of a TSE-listed company that was looking for merger or acquisition candidates. Shortly after this meeting, discussions ensued concerning a possible transaction, and the identity of Xencet was disclosed to GTI.

19. During April and May 1998, GTI was in discussions with Movies & Games 4 Sale, L.P. ("M4S"), a Dallas-based private limited partnership engaged in the same type of business as GTI, with respect to the possible combination of the businesses of GTI and M4S.

20. In early May, Xencet and GTI, negotiated the share exchange ratio in respect of the three businesses, such that Xencet, GTI and M4S were agreed to be valued as one-third interests of the proposed business combination.

21. On or about June 12, 1998, it was determined by the interested parties that the proposed merger/RTO would no longer include M4S as a party to the transaction.

22. On or about June 16, 1998, Xencet and GTI reached an agreement in respect of the share exchange ratio for the proposed RTO of GTI and Xencet. The parties agreed to a 50/50 share exchange ratio. The share exchange ratio agreed to by the parties was not publicly announced at this time. The information concerning the share exchange ratio agreed to by Xencet and GTI was available to Smith in or about mid-June 1998 by virtue of his role in supervising the work of Yorkton investment bankers on the RTO. On Friday, June 19, 1998, Xencet and GTI also entered into a confidentiality agreement, and began to exchange information under that agreement on Monday, June 22, 1998.

23. In order to proceed with the proposed RTO, GTI also approached the shareholders of GTI and requested that the original shareholders, which included Smith, purchase shares from the founder of GTI.

24. On June 30, 1998, Smith purchased 2,660 common shares of GTI.

25. On July 31, 1998, Xencet and GTI entered into an acquisition agreement (the "Acquisition Agreement"), as amended and restated on August 20, 1998, providing for the acquisition of all the issued and outstanding common shares of GTI, pursuant to securities exchange agreements to be entered into with the holders of GTI common shares in exchange for units of Xencet comprised of common shares and a fractional number of common share purchase warrants.

26. The RTO transaction was publicly announced by Xencet on August 26, 1998, which announcement included disclosure of the share exchange ratio agreed to by Xencet and GTI as reflected in the Acquisition Agreement, as amended and restated on August 20, 1998. The RTO was completed by October 30, 1998, and the name of the company was changed to Games Traders Inc. as of November 11, 1998. Following the RTO, the common shares of Xencet/GTR traded on the TSE at prices substantially above the price of the GTI shares purchased by Smith on June 30, 1998.

CONDUCT CONTRARY TO THE PUBLIC INTEREST

27. Smith's conduct was contrary to the public interest by reason of the following:

Smith's purchase of GTI shares on June 30, 1998 placed Smith in a conflict of interest given his position as a registrant, the nature of his involvement in assisting GTI with its financing, and either Smith's knowledge of undisclosed information in respect of the proposed RTO or the availability to Smith of such undisclosed information by virtue of his role in assisting GTI on the proposed RTO.

IV. TERMS OF SETTLEMENT

28. Smith agrees to the following terms of settlement:

(a) at the time of approval of this settlement agreement, Smith will make a voluntary payment to the Commission in the amount of $15,000, such payment to be allocated to such third parties as the Commission may determine for purposes that will benefit Ontario investors;

(b) that the Commission make an order under subsection 127(1)(6) of the Act that Smith be reprimanded; and

(c) that the Commission make an order under subsection 127.1(1)(b) of the Act that at the time of approval of this Settlement, Smith make payment to the Commission in the amount of $5,000 in respect of the costs of the Commission's investigation in relation to this proceeding.

V. CONSENT

29. Smith hereby consents to an order of the Commission incorporating the provisions of Part IV above in the form of an order attached as Schedule "A".

VI. STAFF COMMITMENT

30. If this settlement is approved by the Commission, Staff will not initiate any other proceeding under the Act against Smith respecting the facts set out in Part III of this Settlement Agreement. If the related settlement entered into between Staff and Yorkton Securities Inc. dated December 14, 2001 is approved by the Commission (the "Yorkton Settlement Agreement"), Staff will not initiate any other proceeding under the Act against Smith respecting the facts set out in Part III of the Yorkton Settlement Agreement.

VII. APPROVAL OF SETTLEMENT

31. Approval of the settlement set out in this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for December 19, 2001, or such other date as may be agreed to by Staff and Smith (the "Settlement Hearing").

32. Counsel for Staff or for Smith may refer to any part, or all, of this Settlement Agreement at the Settlement Hearing. Staff and Smith agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

33. If this settlement is approved by the Commission, Smith agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the Act.

34. Staff and Smith agree that if this settlement is approved by the Commission, they will not make any public statement inconsistent with this Settlement Agreement.

35. If, for any reason whatsoever, this settlement is not approved by the Commission, or an order in the form attached as Schedule "A" is not made by the Commission:

(a) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Smith leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Smith;

(b) Staff and Smith shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by this Settlement Agreement or the settlement discussions/negotiations;

(c) the terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person except with the written consent of Staff and Smith, or as may be required by law; and

(d) Smith agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement, the settlement discussions/negotiations or the process of approval of this Settlement Agreement as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

VIII. DISCLOSURE OF AGREEMENT

36. Except as permitted under paragraph 35 above, this Settlement Agreement and its terms will be treated as confidential by Staff and Smith until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission, except with the written consent of Staff and Smith, or as may be required by law.

37. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission.

IX. EXECUTION OF SETTLEMENT AGREEMENT

38. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

39. A facsimile copy of any signature shall be as effective as an original signature.

December 17, 2001.

_____

WITNESS

NELSON CHARLES SMITH

DATED this 17th day of December, 2001.

STAFF OF THE
ONTARIO SECURITIES COMMISSION

(Per)_____
Michael Watson
Director, Enforcement Branch

Schedule "A"

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c. S.5, as amended

AND

IN THE MATTER OF
NELSON CHARLES SMITH

ORDER

WHEREAS on December 17, 2001, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act") in respect of Nelson Charles Smith ("Smith");

AND WHEREAS Smith entered into a settlement agreement dated December 17, 2001 (the "Settlement Agreement") in which he agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission ("Staff"), and upon hearing submissions from counsel for Smith and from Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement dated December 17, 2001, attached to this Order, is hereby approved;

2. pursuant to subsection 127(1)(6) of the Act, Smith is hereby reprimanded; and

3. pursuant to subsection 127.1(2)(b) of the Act, at the time of approval of this Settlement, Smith is ordered to pay $5,000 to the Commission in respect of a portion of the Commission's costs with respect to this matter.

December 19, 2001.

2.2.4 Yorkton Securities Inc. - Order and Settlement Agreement

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c. S.5, as amended

AND

IN THE MATTER OF
YORKTON SECURITIES INC.

ORDER

WHEREAS on December 17, 2001, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act") in respect of Yorkton Securities Inc. ("Yorkton");

AND WHEREAS Yorkton entered into a settlement agreement dated December 17, 2001 (the "Settlement Agreement") in which it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission ("Staff"), and upon hearing submissions from counsel for Yorkton and from Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement dated December 17, 2001, attached to this Order, is hereby approved;

2. pursuant to subsection 127(1)(6) of the Act, Yorkton is hereby reprimanded;

3. pursuant to subsection 127(1)(4) of the Act, effective the date of this Order, Yorkton shall implement the proposed amendments to IDA Regulation 1300 in the form attached as Schedule "1" to this Settlement Agreement, and any amendments to IDA Regulation 1300 as ultimately approved by the Board of Directors of the IDA;

4. pursuant to 127(1)(4) of the Act, that within six months of the date of the Order Yorkton will have retained, at its sole expense, PwC to conduct a independent review of the plan adopted by Yorkton, as described in Part IV, and Schedule "1", to ensure satisfactory implementation of the plan, and to provide a report to Yorkton and Staff as to the results of the review and, in particular, a report as to whether Yorkton has complied with the steps referred to in Part IV and Schedule "1". The PwC report will be completed within a reasonable time frame to be set out by PwC, in consultation with Yorkton and Staff.

5. pursuant to clause 1 of subsection 127(1) of the Act, effective the date of this Order, the following terms and conditions are imposed on the registration of Yorkton:

i. Yorkton will require each officer and employee of the firm to execute forthwith the undertaking attached in the form as Schedule "2" hereto, as a condition to continued employment with Yorkton; and

ii. Yorkton will report forthwith to Staff of the Commission in the event that Yorkton receives information that any officer or employee of Yorkton has breached or is in breach of the undertaking attached in the form of Schedule "2".

6. Pursuant to subsection 127.1(2)(b) of the Act, at the time of approval of this settlement, Yorkton is ordered to pay $200,000 to the Commission in respect of a portion of the Commission's costs with respect to this matter.

December 19, 2001.

"Howard Wetston" "TM McLeod"

"Derek Brown"

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, c. S.5, AS AMENDED

AND

IN THE MATTER OF
YORKTON SECURITIES INC.

SETTLEMENT AGREEMENT

I. INTRODUCTION

1. By Notice of Hearing dated December 17, 2001 (the "Notice of Hearing"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing to consider whether, pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act"), it is in the public interest for the Commission:

(a) to make an order approving the proposed settlement entered into between Staff of the Commission ("Staff") and the respondent, Yorkton Securities Inc. ("Yorkton") of this proceeding, pursuant to sections 127 and 127.1 of the Act, which approval will be sought jointly by Staff and Yorkton;

(b) to make an order that the registration of other respondents be suspended or restricted for such time as the Commission may direct, or be terminated, or be subject to such terms and conditions as the Commission may order;

(c) to make an order that trading in securities by other respondents cease permanently or for such other period as specified by the Commission;

(d) to make an order that other respondents be prohibited from becoming or acting as a director or officer of any issuer;

(e) to make an order that Yorkton institute such changes as may be ordered by the Commission and submit to a review of its practices and procedures;

(f) to make an order that the respondents be reprimanded; and

(g) to make an order that the respondents pay costs to the Commission.

II. JOINT SETTLEMENT RECOMMENDATION

2. Staff agree to recommend settlement of the proceeding initiated in respect of the respondent Yorkton by the Notice of Hearing in accordance with the terms and conditions set out below. Yorkton consents to the making of an order against it in the form attached as Schedule "A" on the basis of the facts set out below.

III. STATEMENT OF FACTS

ACKNOWLEDGEMENT

3. Solely for the purposes of this proceeding, and of any other proceeding commenced by a securities regulatory agency, Yorkton agrees with the facts as set out in this Part III.

FACTS

YORKTON SECURITIES INC.

4. The conduct of Yorkton Securities Inc. ("Yorkton") that is the subject matter of this settlement agreement occurred prior to February 2001 (the "Material Time"). Since February, 2001, Yorkton has taken a number of steps to adopt best practices in the area of regulatory compliance.

5. Yorkton is registered as, among other things, a broker and investment dealer under the Act and is a member of, among other things, The Toronto Stock Exchange (the "TSE") and the Investment Dealers Association of Canada (the "IDA"). Yorkton is an employee-owned firm with over 600 employees. Yorkton is a wholly-owned subsidiary of Yorkton Financial Inc. ("Yorkton Financial").

6. G. Scott Paterson ("Paterson") was registered as a trading officer and the Chairman and Chief Executive Officer of Yorkton since October 1998, and President of Yorkton from May 20, 1997 to October 1, 1998. During the Material Time, Paterson owned approximately 15% of Yorkton Financial. Paterson was registered as a trading officer with the title of Executive Vice-President and Director from May 16, 1995 to May 20, 1997.

7. Piergiorgio Donnini ("Donnini") was during the Material Time Yorkton's Head Institutional and Liability Trader. Donnini's employment with Yorkton was terminated in April 2001. From November 14, 1995 to April 5, 2001, Donnini was registered as a sales representative with Yorkton, with the exception from September, 1998 to April, 1999 when Donnini was not employed with Yorkton.

8. Roger Arnold Dent ("Dent") has been registered since September 1998 as a trading officer and director with the titles of Vice-Chairman, Executive Vice-President and Director of Research of Yorkton. Dent was registered as a trading officer with the title of Vice-President and Director from March 19, 1997 to March 9, 1998, and as Executive Vice-President from March 9, 1998 to September 8, 1998.

9. Nelson Charles Smith ("Smith") is, and has been registered since March 26, 2001, as a trading officer with the titles of Vice-President and Managing Director, Head of Investment Banking. Smith was registered as a trading officer with the title of Vice-President from November 9, 1995 to January 30, 1997, and from January 30, 1997 to March 26, 2001 as Vice-President and Director of Investment Banking for the Media, Entertainment & Leisure Group.

10. Alkarim Jivraj ("Jivraj") has been employed with Yorkton as an investment banker since 1996. Jivraj was registered as an approved, non-trading officer with the title of Vice-President and Director from May 24, 2000 to March 12, 2001. Since March 12, 2001 Jivraj has been registered as an approved, non-trading officer with the title of Vice-President and Managing Director, Technology Investment.

GTR GROUP INC.

11. GTR Group Inc. ("GTR") was the continuing company formed through the reverse take-over (the "RTO") by Games Trader Inc. ("GTI") of the listed "shell" then known as Xencet Investments Inc. ("Xencet") in October 1998 and the concurrent exchange of securities with shareholders of 1308129 Ontario Inc. ("1308129"). Effective September 5, 2001, GTR changed its name to Mad Catz Interactive Inc. During the Material Time GTR was a reporting issuer in British Columbia, Alberta and Ontario and its common shares were listed and posted for trading on the TSE under the symbol GTR.

12. During the Material Time GTR carried on business through two operating subsidiaries. Through the first of those subsidiaries (which carried on business under the name "Games Trader"), GTR was a supplier of video games to mass merchant and specialty retailers in the United States and Canada, with its principal business activity being the sourcing, refurbishing, repackaging and distribution of previously played video game software. Through the second of those subsidiaries, GTR designed, developed, manufactured (through third parties) and marketed interactive video game control devices and accessories.

13. GTI was, until it was taken public through the RTO, a closely-held company that carried on the business later operated under the "Games Trader" name.

1. Investments by Yorkton Group in GTI

14. In March 1997, Capital Canada Limited ("CCL") made a presentation to representatives of Yorkton concerning an opportunity to participate in the acquisition and financing of GTI. In this presentation, CCL expressed the view that individuals at Yorkton should acquire shares in GTI as a sign of their good faith.

15. In response to this presentation, ultimately Yorkton acquired 250,000 common shares, representing approximately 6% of the outstanding common shares of GTI. Yorkton then transferred those shares to the various persons and entities including Smith, Dent and Patstar Inc., a corporation owned by Paterson (collectively, the "Yorkton Group").

2. Yorkton/Paterson Relationship with Xencet

16. Xencet was incorporated in 1993 as a "junior capital pool" under the name Patch Ventures Inc. ("Patch") at the initiative of, among others, Paterson. In 1994, Patch acquired all of the issued and outstanding shares of Legacy Manufacturing Corporation pursuant to a reverse take-over, following which the name of the

company was changed to Legacy Storage Systems International Inc. ("Legacy"). In 1995, Paterson joined the board of directors of Legacy and its shares were listed and posted for trading on the TSE. Paterson has since 1995 also been a shareholder of Legacy and its successor companies.

17. Since 1995, Yorkton has regularly acted as underwriter and financial advisor for Xencet and its predecessor companies and was also a security holder. In particular, Yorkton was the underwriter in respect of two special warrant offerings of Legacy completed in May 1995 and December 1995, and the underwriter in respect of the unit offering of Legacy completed in March 1996. Yorkton also acted as financial advisor to Legacy in connection with the acquisition by Legacy of shares and assets of Rexon Inc., completed in March 1996. Legacy subsequently changed its name to Tecmar Technologies International Inc. in December 1996. In January 1998, its name again was changed to Xencet Investments Inc. ("Xencet") in connection with the proposed sale of the last of its operating businesses. Paterson remained on the board of Xencet (and its predecessor companies as of August 1995) until his resignation from the board on September 30, 1998.

18. Upon completion of the sale of the last of Xencet's operating businesses, in mid-February 1998, Xencet had no significant operations. It held cash and cash equivalents in excess of $7.5 million. Its only other asset was a listing on the TSE. To preserve this listing, the TSE required that Xencet enter into a legally binding agreement by August 18, 1998 to acquire an operating business that, if completed, would result in Xencet meeting the original listing requirements of the TSE. Failing that, the shares of Xencet would be de-listed. The board of directors of Xencet asked Paterson and other firms and individuals and firms to search out business opportunities.

19. In late March 1998, notwithstanding that Xencet had no apparent need or use for additional cash, Paterson proposed to the two other directors of Xencet a transaction pursuant to which Paterson and certain other investors identified by him would acquire for $0.65 per unit approximately 1,150,000 units. Each unit was to consist of one common share in the capital of Xencet and one common share purchase warrant exercisable for $0.70 per share for a period of two years from the date of issue. On March 31, 1998, the closing price of the common shares of Xencet on the TSE was $0.70 per share.

20. The proposed private placement was announced by Xencet on April 30, 1998 (the "Xencet Private Placement"). The Xencet Private Placement closed in late May 1998 at which time 460,000 units were issued to Yorkton in trust for Paterson, and 690,000 units were issued to two Yorkton institutional clients.

21. Xencet's press release of April 30, 1998 did not disclose the identity of the subscribers to the Xencet Private Placement, and certain Yorkton personnel assisting with the RTO were not made aware that Paterson had participated in the Xencet Private Placement until such disclosure was made in the Xencet Information Circular dated August 26, 1998 in connection with the RTO. Paterson signed his subscription agreement in relation to the Xencet Private Placement on May 21, 1998 and filed his insider report on September 16, 1998, reporting his acquisition of 460,000 units of Xencet effective May 22, 1998.

3. The RTO – Role of Yorkton's Officers and Investment Bankers

22. In March 1998, Paterson committed to the board of Xencet resources of Yorkton. In particular, Paterson committed employees of Yorkton to review possible merger or RTO candidates and to report the results of the review to the Xencet Board. As a director of Xencet, Paterson was informed of all business opportunities presented to the Xencet board, and the development of any proposed transaction. Although Paterson committed Yorkton resources to help search out proposed business opportunities, Paterson did not cause Yorkton to enter into an engagement agreement with Xencet. Xencet was not placed on the grey list (also referred to as a watch list) in March 1998. Yorkton did not place Xencet on its grey list until August 13, 1998.

23. During the Material Time, other Yorkton senior officers and investment bankers acted as financial advisors to GTI, including Smith, the Director of Investment Banking for the Media, Entertainment & Leisure Group.

24. Through 1997 and into 1998, representatives of GTI met with Smith, and others at Yorkton, on various occasions to discuss the timing of an initial public offering of GTI and the company's financing requirements.

25. On or about April 16, 1998, Smith, Dent and other employees on behalf of Yorkton, met with the President of GTI for a general business update on GTI. Smith arranged for the GTI President to give a presentation to Paterson on or about April 24, 1998.

26. After that presentation, Paterson advised representatives of GTI that it was Yorkton's view that, given GTI's recent operating results and financial condition, an initial public offering was not likely to be successfully completed until 1999 or later. Paterson indicated that he was aware, however, of a TSE-listed company that was looking for merger or acquisition candidates and that he would take the information provided by GTI and consider whether there could be a deal between GTI and that listed company. Shortly after this meeting, discussions ensued concerning a possible transaction, and the identity of Xencet was disclosed to GTI.

27. During April and May 1998, GTI was in discussions with Movies & Games 4 Sale, L.P. ("M4S"), a Dallas-based private limited partnership engaged in the same type of business as GTI, with respect to the possible combination of the businesses of GTI and M4S.

28. Paterson introduced GTI to the Board of Directors of Xencet on or about May 5, 1998.

29. In early May, 1998, Paterson, on behalf of Xencet, and a representative of GTI, negotiated the share exchange ratio in respect of the three businesses, such that Xencet, GTI and M4S were agreed to be valued as one-third interests of the proposed business combination. The share exchange ratio agreed to by the parties was not publicly available. In or about early May, 1998, Smith was informed of the share exchange ratio agreed to by Xencet and GTI in relation to the interests of Xencet, GTI and M4S. This information was made available to Dent in or about early May, 1998 by virtue of his role.

30. On or about June 12, 1998, it was determined by the interested parties that the proposed merger/RTO would no longer include M4S as a party to the transaction.

31. On or about June 16, 1998, Paterson, on behalf of Xencet, and representatives of GTI reached an agreement in respect of the share exchange ratio for the proposed RTO of GTI and Xencet. The parties agreed to a 50/50 share exchange ratio. The share exchange ratio agreed to by the parties was not publicly announced at this time. The information concerning the share exchange ratio agreed to by Xencet and GTI was available to each of Dent and Smith in or about mid-June, 1998, by virtue of their roles. On Friday, June 19, 1998, Xencet and GTI also entered into a confidentiality agreement, and began to exchange information under that agreement on Monday, June 22, 1998.

32. In order to proceed with the proposed RTO, GTI also approached the shareholders of GTI and requested that the original shareholders (which included Patstar Inc., Smith and Dent) purchase shares from the founder of GTI.

33. On June 30, 1998, Paterson, Smith and Dent, purchased common shares of GTI. Paterson, through Patstar Inc., purchased 55,627 shares of GTI. Dent and certain of his relatives purchased 30,990 shares of GTI. Smith purchased 2,660 shares of GTI.

34. On July 31, 1998, Xencet and GTI entered into an acquisition agreement (the "Acquisition Agreement"), as amended and restated on August 20, 1998, providing for the acquisition of all the issued and outstanding common shares of GTI, pursuant to securities exchange agreements to be entered into with the holders of GTI common shares in exchange for units of Xencet comprised of common shares and a fractional number of common share purchase warrants.

35. The share ratio agreed to by Xencet and GTI, as reflected in the Acquisition Agreement, was as follows:

"On the terms and subject to the conditions set out herein and in the Securities Exchange Agreement, the transactions contemplated by this Agreement shall be effected by the implementation of the following steps on the Closing Date:

(a) Xencet shall acquire all of the GTI Securities from the GTI Securityholders in exchange for an aggregate of:

(i) 10,300,000 Xencet Common Shares: and

(ii) 1,000,000 Xencet Series A Warrants;

(b) Peter Kozicz shall receive options to purchase 514,884 common shares of Xencet exercisable until April 7, 2000 for the Kozicz Options held by him, it being the intent that the options to be granted to Peter Kozicz will be granted at the market price of the common shares of Xencet, as agreed to with the TSE, and that the accrued gain in the Kozicz Options, being the excess of the exercise price per share of the options to be granted by Xencet to Peter Kozicz over $0.4017 (the "Excess Amount") will be treated as a pre-payment of a portion of the exercise price per share payable under such options equal to the Excess Amount per share of the options to be granted to Peter Kozicz, so that Peter Kozicz is in the same economic position as if he continued to hold the Kozicz Options, and the TSE shall have approved the issuance of such options on the foregoing terms on or before August 12, 1998."

The Acquisition Agreement and the terms contained therein were not made publicly available.

36. In or about late July 1998, Jivraj was formally assigned to the Xencet, GTI RTO transaction, although Jivraj had information regarding the RTO prior to that date. Jivraj's primary responsibility was to close the financing transaction concurrent with the RTO. In mid 1998, Jivraj became aware that several senior Yorkton officers had recently purchased shares in GTI.

37. In mid 1998, Jivraj approached Paterson and proposed that Paterson sell to him common shares in GTI. Paterson agreed to sell a portion of his position in GTI.

38. On August 19, 1998 Jivraj purchased 2,217 common shares of GTI from Patstar Inc. for $1,441.05.

39. The RTO transaction was publicly announced by Xencet on August 26, 1998, which announcement included disclosure of the share exchange ratio agreed to by Xencet and GTI as reflected in the Acquisition Agreement, as amended and restated on August 20, 1998. The RTO was completed by October 30, 1998, and the name of the company was changed to GTR as of November 11, 1998. Following the RTO, the common shares of Xencet/GTR traded on the TSE at prices substantially above the price at which the units were sold to Paterson and the two Yorkton institutional clients, pursuant to the Xencet Private Placement, and substantially above the price of the GTI shares purchased by Paterson, Smith, Dent and Jivraj in the summer of 1998.

KASTEN CHASE APPLIED RESEARCH LIMITED

40. Kasten Chase Applied Research Limited ("KCA") is a corporation incorporated under the Business Corporations Act (Ontario). KCA develops and applies technology to provide secure remote access to computer networks. KCA was a privately held company up until 1994 at which time Yorkton structured the reverse take over by KCA of the reporting issuer known as Dysis Corp. KCA is a reporting issuer in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Quebec. The common shares of KCA are listed and posted for trading on the TSE under the symbol KCA. Since 1994 Yorkton has acted as underwriter in respect of several financings and private placements for KCA.

1. First KCA Special Warrant Financing

41. In early February 2000, Yorkton and KCA engaged in discussions about a possible financing of KCA. On February 10, 2000, KCA sought "price protection" from the TSE for an offering of special warrants based on the $1.37 closing price of its common shares on February 9, 2000.

42. On February 11, 2000, KCA executed an engagement agreement with Yorkton under which KCA proposed to raise $5 million by issuing 4 million special warrants priced at $1.25 each (referred to as the "SWI"). Pursuant to subsections 619(a) and (b) and 622 of the TSE Company Manual, special warrants exchangeable into listed common shares may be issued at a discount to the closing price of the common shares on the TSE on the day before the date on which price protection is sought. Each special warrant was to entitle the holder to acquire one common share of KCA and one warrant to acquire one-half of one common share at an exercise price equal to $1.75 per common share.

43. Pursuant to the engagement agreement, Yorkton was entitled to receive an underwriter's commission equal to 8% of the gross proceeds of the offering (or $400,000 in cash commission) and compensation options to acquire 400,000 units at an exercise price of $1.37 per unit. Each unit was to be exchangeable for one common share of KCA and one warrant to acquire one-half of one common share at an exercise price equal to $1.75 per common share. Yorkton did not own freely tradeable shares of KCA at this time.

44. The arrangements between Yorkton and KCA set out in the engagement agreement were confirmed in an underwriting agreement dated February 24, 2000. The financing closed on February 24, 2000.

2. Subscriptions For First KCA Special Warrants

45. During the pre-marketing of SWI, Yorkton's institutional clients expressed a greater demand for the purchase of SWI units than the proposed 4 million units. These clients were prepared to purchase close to 6.5 million KCA units.

46. Accordingly, on February 11, 2000, Yorkton received sufficient orders to purchase the special warrants that resulted in the offering being oversubscribed.

47. Among others, a Yorkton institutional client (the "Yorkton Institutional Client"), subscribed for 340,000 special warrants and a Yorkton retail client (the "Yorkton Retail Client") subscribed for 78,000 special warrants, respectively.

48. Each subscriber was required to complete a subscription agreement and a private placement questionnaire and undertaking in a form prescribed by the TSE. Pursuant to the undertaking, each subscriber undertook to the TSE that, except with the "prior consent" of the TSE, it would not "sell or otherwise dispose of any of the said securities so purchased or any securities derived therefrom for the lesser of" six months or the date that a receipt for a final prospectus in respect of those securities was issued by the Commission.

3. Purchases by Yorkton of KCA Special Warrants

49. The trading price of KCA common shares on the TSE increased substantially from $2.05 per KCA common share at the close of business on February 11, 2000 to $6.75 per common share by the close of business on February 28, 2000. As a result, subscribers for the special warrants enjoyed a substantial unrealized appreciation in value.

50. Commencing in mid-February 2000, certain Yorkton salespersons spoke with some of the subscribers for the special warrants to determine their interest in realizing a profit by selling some or all of their special warrants. The clients approached were pleased to have the opportunity to sell the special warrants and realize a profit on the sale.

51. On or about February 28, 2000, Yorkton agreed to purchase from the Yorkton Institutional Client, for Yorkton's own account, 80,000 of the KCA special warrants at a price of $5.00 per warrant.

52. On or about February 29, 2000, Yorkton agreed to purchase from the Yorkton Retail Client, for Yorkton's own account, 78,000 of the KCA special warrants at a price of $7.65 per warrant. Yorkton charged the Yorkton Retail Client an aggregate commission of $19,500 on this sale and Yorkton did not disclose to the Yorkton Retail Client that Yorkton was purchasing the special warrants as principal. Yorkton has agreed to credit $19,500 to the account of this client.

53. On or about February 29, 2000, Yorkton agreed to purchase from the Yorkton Institutional Client, for Yorkton's own account, 60,000 of the KCA special warrants at a price of $7.00 per warrant and 100,000 special warrants at a price of $7.75 per warrant.

54. On March 2, 2000, Yorkton sought and obtained the TSE's consent to these purchases of KCA special warrants from the Yorkton Institutional Client and the

Yorkton Retail Client, conditional upon, among other things, Yorkton filing a questionnaire and undertaking in the prescribed form. Yorkton failed to file the questionnaire and undertaking as required.

55. Yorkton did not maintain an itemized daily record of the purchases from the Yorkton Institutional Client and the Yorkton Retail Client. The purchases were not recorded, and the trades were not ticketed, until March 3, 2000, the day after TSE consent was received.

4. Yorkton's Borrowing and Short Sales[1] in KCA Common Shares

56. Commencing on or about February 15, 2000, with the knowledge and approval of Paterson, Donnini began executing short sales of common shares of KCA for Yorkton's own account.

57. On or about February 17, 2000, Donnini, on behalf of Yorkton, began to borrow KCA common shares from various registered dealers. Between February 15, 2000 and February 28, 2000, Yorkton sold short for its own account approximately 355,000 common shares of KCA. These transactions were transparent to the market as Donnini traded from Yorkton's inventory account.

58. The short sales carried out prior to February 29, 2000, were effected as part of a strategy to lock in Yorkton's profits in relation to compensation options and special warrants from SWI, which could not be freely traded.

5. Second KCA Special Warrant Financing Proposal

59. On February 29, 2000, Paterson presented a financing proposal to the Chief Financial Officer of KCA. Paterson informed Donnini on February 29, 2000 that the proposed second KCA financing was a $10 million special warrant offering at $6.75 per special warrant, and was to have a structure similar to the SWI financing. Given the nature of the information provided by Paterson to Donnini, which was not publicly available, Paterson should have instructed or directed Donnini to cease his short selling of KCA common shares on February 29, 2000, but failed to do so. Having regard to the status of the negotiations, Paterson should have informed Yorkton's compliance department that KCA be placed on the grey list on February 29, 2000, but failed to do so.

60. Following receipt of information from Paterson, as described above, Donnini traded in common shares of KCA for Yorkton's account through jitney trades. By the close of business on February 29, 2000, Donnini had sold short for Yorkton's account 579,000 commons shares of KCA.

61. On the morning of March 1, 2000, the CFO of KCA continued to negotiate the terms of the special warrant offering with Paterson, and by mid-day, KCA had reached an agreement in principle with Yorkton in relation to the following terms of the second warrant financing (subject to board approval of KCA and negotiation of the engagement letter with Yorkton):

- the pricing of the special warrants II offering;
- the size of the special warrants II offering (including the common share purchase warrants and the exercise period and exercise price of the warrants);
- the Commission to be paid to Yorkton in respect of the special warrants II offering, and the number, exercise price and exercise period of the compensation warrants to be issued to Yorkton in respect of the underwriting.

62. On March 1, 2000 KCA sought price protection from the TSE for an offering of special warrants at $6.75 per special warrant based on the $6.90 closing price of KCA's common shares on February 29, 2000.

63. At the close of the day on March 1, 2000, the board of directors of KCA approved the second special warrant financing.

64. On March 1, 2000, Yorkton sold short for its own account a further 440,200 common shares of KCA, of which over 400,000 shares were jitneyed through another investment dealer, which had the effect of concealing Yorkton's involvement in the trade. By the close of trading on the TSE on March 1, 2000, Yorkton had sold short approximately 1,375,000 common shares of KCA. Paterson took no steps to restrict Donnini's trading in KCA common shares. All of the short sales from February 29 and March 1 were made at prices in excess of the $6.75 price for the KCA SW2 warrants. The average price of these trades (i.e. short sales) excuted by Donnini beginning on the afternoon of February 29 at approximately 2:45 p.m., and continuing on March 1, was $7.48.

65. Yorkton's "bought deal" committee approved Yorkton's participation in the second special warrants financing at about 8:00 a.m. on March 2, 2000. KCA and Yorkton then executed an engagement agreement pursuant to which KCA agreed to raise, and Yorkton agreed to underwrite, $10 million by issuing 1.483 million special warrants priced at $6.75 each. Each special warrant was to entitle the holder to acquire one common share of KCA and one warrant to acquire one-half of one common share at an exercise price equal to $7.75 per common share.

66. Pursuant to the engagement agreement, Yorkton was entitled to receive an underwriter's commission equal to

[1] A short sale is the sale of a securitiy which the seller does not own. This is a speculative practice done in the belief that the price of a stock is going to fall and the seller will then be able to cover the sale by buying it back at a lower price, thereby profiting on the transactions. (Source: Canadian Securities Coursre Textbook Volume 3, September 1998, prepared and published by the Canadian Securities Institute.)

8% of the gross proceeds of the offering and compensation options to acquire 148,399 units at an exercise price of $6.90 per unit. Each unit was to be exchangeable for one common share of KCA and one warrant to acquire one-half of one common share at an exercise price equal to $7.75 per common share.

67. After Yorkton's "bought deal" committee approved the financing, KCA was placed on Yorkton's "restricted list", which was distributed by e-mail shortly before markets opened on March 2, 2000.

68. The arrangements between Yorkton and KCA set out in the engagement agreement were formalized in an underwriting agreement dated March 15, 2000. The financing closed on March 15, 2000.

69. Yorkton's retail salespersons advised Yorkton's syndication department that they had received indications of interest from sophisticated retail clients in purchasing a total of 609,500 special warrants. Retail sales were allocated 431,000 of the 1.483 million special warrants that were to be distributed. Except for some hedge fund clients, Yorkton's institutional clients were not interested in purchasing KCA units in the second warrant financing. Yorkton purchased, as principal, the remaining 650,000 special warrants at a price of $4,387,500, with the result that fewer special warrants were allocated to sophisticated retail clients.

BOOK4GOLF.COM CORPORATION

70. Book4golf.com Corporation ("Book4golf") has since September 22, 1999 been incorporated pursuant to the Canada Business Corporations Act. Book4golf is the developer and owner of Book4golf.com, an e-commerce Web portal that allows golfers to book tee times at various types of golf courses over the Internet. Book4golf is a reporting issuer in British Columbia and Ontario. The common shares of Book4golf are listed and posted for trading on the Canadian Venture Exchange ("CDNX") under the symbol BFG.

71. Dent, Yorkton's Director of Research, became a director of Book4golf on September 22, 1999 and resigned as a director effective January 10, 2001.

1. Book4golf Research Reports

72. Yorkton commenced research coverage of Book4golf effective February 1, 2000. On February 1, 2000, Yorkton issued a "Research Comment" about Book4golf authored by a Yorkton Research Analyst (the "Yorkton Research Analyst"), that contained a "strong buy" recommendation. The Research Comment disclosed that Yorkton had acted as "agent for financing of or financial advisor for" Book4golf within the preceding three years, but did not disclose that Dent was a director of Book4golf.

73. The strong buy recommendation was repeated in research documents on Book4golf authored by the Yorkton Research Analyst dated March 17, 2000; March 22, 2000; April 11, 2000; April 28, 2000; May 3, 2000; June 5, 2000; June 26, 2000; July 17, 2000 and July 31, 2000, variously titled as "Online", "The Wake-Up Call" and "Research Comment". The Yorkton Research Analyst authored two further research documents dated September 26, 2000 and October 16, 2000 in which Yorkton's recommendations changed from "strong buy" to "speculative buy". Each of the foregoing documents (collectively, referred to as the "Research Reports") disclosed that Yorkton had acted as "agent for financing of or financial advisor for" Book4golf, but did not disclose that Dent was a director of Book4golf.

74. The research document dated January 11, 2001, titled "The Wake-Up Call" authored by the Yorkton Research Analyst disclosed that Dent had stepped down as director of Book4golf.

75. At no time did Yorkton or Dent instruct the Yorkton Research Analyst to disclose in the Research Reports that Dent was a director of Book4golf, or instruct the Yorkton Research Analyst to disclose in the Research Reports the existence of a conflict of interest arising from Dent's position as a Book4golf director and Yorkton's research coverage of Book4golf.

2. Book4golf off CDNX Trade

76. Paterson and Yorkton played a major role in the affairs of Somerville Capital Inc., a junior capital pool ("JCP") company, and they continued to play a major role after the RTO transaction that transformed the JCP into Book4golf. Yorkton acted as underwriter and financial advisor. Paterson and other Yorkton employees were shareholders and Paterson publicly supported Book4golf. Yorkton provided research coverage on Book4golf and the Director of Research reported directly to Paterson. Yorkton was the dominant trading member firm in Book4golf shares.

77. On January 24, 2000, Book4golf opened at a price of $17.30, reached a high of $18.05 and a low of $14.00, and closed at $15.85. The following day Book4golf opened at a price of $17.00.

78. On January 24, 2000, a U.S. client of Yorkton's Chicago office wished to sell 100,000 shares of Book4golf. The Chicago office relayed the information to Donnini, the Head of Institutional Trading in Yorkton's Toronto office. Donnini, who reported directly to Paterson, approached Paterson and together they decided to offer a bid price of $13.75 per share, a 25¢ discount to the lowest transaction price on that date. Of the 100,000 Book4golf shares, Donnini purchased 25,000 Book4golf shares in his personal account and Paterson purchased the remaining 75,000 Book4golf shares through the account of his personal holding company.

79. Donnini failed to disclose the 100,000 sale of the Book4golf shares to CDNX and the transactions were only recorded on the books and records of Yorkton on January 25, 2000 "as of January 24, 2000". The size and nature of this transaction would have depressed the market price of Book4golf if it had been placed through the facilities of the CDNX.

80. Paterson actively traded Book4golf shares on January 24, 2000 prior to buying the 75,000 Book4golf shares.

81. From January 26, 2000 to February 18, 2000, Paterson sold 75,000 shares of Book4golf at prices ranging from $16.00 to $23.25. On a "last in, first out" basis, he made a profit of over $400,000.

82. Donnini and Yorkton were sanctioned by the CDNX for failing to report the transaction involving the 100,000 shares of Book4golf. The settlement agreement was approved on June 4, 2001 by a Disciplinary Hearing Panel of the CDNX.

3. Missing Trade Tickets

83. In the course of its investigation giving rise to this settlement agreement, on September 5, 2001, Staff requested that Yorkton provide certain trade tickets in Book4golf.

84. Yorkton was unable to provide to Staff the requested documents as required under Ontario securities law.

85. Yorkton has advised Staff that Yorkton's former external records retention service provider lost the requested documents. However, Yorkton accepts full responsibility for its failure to produce to Staff the requested records, as required under Ontario securities law.

STORAGE ONE INC.

1. Establishment of Storage One

86. Storage One Inc. ("Storage One") was incorporated under the Business Corporations Act (Ontario) as Storage Express Inc. on October 18, 1993 as a subsidiary of Tecmar Technologies Incorporated ("Tecmar"). Storage Express Inc. changed its name to Storage One effective November 10, 1993 and to EcomPark Inc. effective May 19, 1999.

87. Tecmar was a wholly owned subsidiary of Tecmar Technologies International Inc. As noted above in paragraph 17, Tecmar Technologies International Inc. was formerly Legacy Storage Systems International Inc. Paterson was a shareholder of Legacy Storage Systems International Inc. (and the successor companies, including Xencet) from 1995 to date, and a director of Legacy Systems International Inc. (and its successor companies) from 1995 until his resignation from the Xencet board on September 30, 1998.

88. Storage One did not carry on active business until April 14, 1997, when it acquired certain inventory, fixed assets, prepaid expenses and goodwill of the computer storage hardware business carried on by Tecmar. On the advice of Paterson to the board of Tecmar Technologies International Inc., Storage One became a separate company in April, 1997.

89. Effective August, 1997, Storage One became a reporting issuer in British Columbia, Alberta and Ontario. Effective October, 1997, the common shares of Storage One were listed and posted for trading on the Alberta Stock Exchange (as it then was) under the symbol SOJ.

2. August 18, 1997 Prospectus

90. Pursuant to a prospectus dated August 18, 1997, Storage One made an initial public offering (the "August IPO") by which it raised $800,000 by offering 3,200,000 units consisting of a common share and common share purchase warrant. The same prospectus qualified for distribution common shares and warrants issuable upon the exercise of special warrants issued in April 1997 for proceeds of $2,893,500. These investments were described in the prospectus as speculative and involving a high degree of risk.

91. As described in the prospectus under the heading "Management of Storage", each of the four managers of Storage One identified in the prospectus had held management positions with Tecmar or with its computer storage hardware business before that business was acquired by Storage One. Under the heading "Risk Factors", the prospectus stated that Storage One was substantially dependent on the services of a few key personnel, including three of the four managers identified in the prospectus. The prospectus disclosed no concerns about the quality or abilities of management.

92. The financing agreement dated April 14, 1997 between Storage One and Yorkton relating to the offering of the special warrants of Storage One (the "April Private Placement"), required Storage One to deposit into a segregated bank account the majority of the proceeds of that financing and the net proceeds of the sale of units later issued under the prospectus. These funds could be released only with the consent of two Yorkton nominees.

93. In connection with the April Private Placement, these restrictions were required because Paterson had concerns in relation to management's use of funds, and management's ability to manage its cash. Paterson assumed the lead role in respect of Yorkton's underwriting of the April Private Placement.

94. These restrictions remained in place at the time of the August IPO, and are disclosed in the prospectus as follows:

"Pursuant to the Underwriting Agreement, the Corporation agreed to deposit the net proceeds from the offering of Special Warrants in excess of $1,700,000, as well as the net proceeds from this Offering and from the exercise of the Warrants, the New Warrants and the Compensation Options into a segregated bank account of the Subsidiary that requires two signing officers, both of whom are nominees of Yorkton. As long as any funds remain in this bank account of the Subsidiary, the Corporation has also agreed: (i) other than certain existing liens, not to create or permit any lien, claim, security interest or other encumbrance whatsoever against or in respect of the Subsidiary; (ii) to ensure a majority of the board of

directors of the Subsidiary are nominees of Yorkton; and (iii) to ensure the Subsidiary does not conduct any active business without the consent of Yorkton. The purpose of the funds deposited to the bank account of the Subsidiary is to identify and pursue future acquisition and expansion opportunities".

95. Paterson's knowledge, information and belief in respect of the management of Storage One, giving rise to the imposition and continuation of these restrictions, was not disclosed in the Storage One prospectus.

3. Paterson's Undisclosed Views About Management

96. In the course of an interview by staff of the CDNX held on June 6, 2000, Paterson testified that in 1997 he had serious concerns about management of Storage One and about management's use of funds when employed by Tecmar. Paterson told the CDNX that the restrictions on the proceeds of the 1997 financings were adopted for this reason. Paterson did not share these views with the Yorkton prospectus due diligence team.

4. Storage One March 1999 Private Placement

97. On February 2, 1999, Storage One announced a proposed private placement offering up to a maximum of 2,920,000 units of Storage One at a price of $0.10 per unit. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share at an exercise price of $.15 per share for a period of two years from the closing date. The private placement closed on March 5, 1999, (the "Storage One Placement"). The Storage One Placement was completed under several private placement exemptions.

98. Following the completion of the Storage One Placement, Yorkton Staff approached Paterson and expressed their disappointment that their clients did not have an opportunity to participate in the recent offering. Paterson contacted Alberta counsel to Storage One to determine if certain investors in the Storage One Placement would consider selling their units.

99. As a result of Paterson's request, arrangements were made on or about July 7, 1999, through Storage One's Alberta counsel, for the sale of approximately 1,062,500 shares of Storage One from an offshore corporation to 17 persons, 12 of which were clients of Yorkton. Paterson advised Yorkton personnel that the Storage One shares could only be sold to a non pro client.

100. Dent understood the requirement that Storage One shares be sold to a non pro client, but nonetheless arranged for the sale of 40,000 Storage One shares to a close relative and loaned his close relative funds to purchase the shares.

CONDUCT CONTRARY TO THE PUBLIC INTEREST

101. The conduct of Yorkton was contrary to the public interest for the reasons set out below.

GTI and Xencet RTO

102. Yorkton permitted a culture of non-compliance, and therefore failed to prevent conflicts of interest in circumstances where Paterson:

(a) played multiple roles as a director and shareholder of Xencet, as a shareholder of GTI, and as a registrant and the then President of Yorkton;

(b) initiated a private placement by Xencet in advance of the RTO when Xencet had no apparent need for additional cash;

(c) caused the private placement to be made available only to Paterson and two institutional clients and not to other Yorkton clients;

(d) purchased units of Xencet on May 22, 1998, having knowledge of undisclosed information in respect of the proposed RTO, in circumstances where Paterson should not have purchased Xencet units;

(e) purchased common shares of GTI on June 30, 1998, having knowledge of undisclosed information in respect of the proposed RTO, in circumstances where Paterson should not have purchased the GTI shares; and

(f) sold GTI shares to Jivraj on or about August 19, 1998 in circumstances where Paterson should not have sold GTI shares to Jivraj, and in circumstances where Paterson should have directed Jivraj not to purchase shares in GTI from Yorkton or any other person.

103. Yorkton permitted a culture of non-compliance in circumstances where:

(a) Smith's purchase of GTI shares on June 30, 1998 placed Smith in a conflict of interest given his position as a registrant, the nature of his involvement in assisting GTI with its financing, and either Smith's knowledge of undisclosed information in respect of the proposed RTO or the availability to Smith of such undisclosed information by virtue of his role in assisting GTI on the proposed RTO;

(b) Dent's purchase of GTI shares on June 30, 1998 placed Dent in a conflict of interest, given his position as a registrant, the nature of his involvement on the proposed RTO, and either Dent's knowledge of undisclosed information in respect of the proposed RTO or the availability to Dent of such undisclosed information by virtue of Dent's position in Yorkton; and

(c) Jivraj's purchase of GTI shares on August 19, 1998 was contrary to the public interest, given his position as an investment banker, the nature of his involvement in assisting GTI with its financing, and either his knowledge of

undisclosed information, including in relation to the share exchange ratio on the reverse takeover transaction between GTI and Xencet and other terms of the Acquisition Agreement, or availability to Jivraj of such undisclosed information.

Kasten Chase

104. Yorkton failed to properly supervise Paterson and Donnini and permitted a culture of non-compliance in connection with the second KCA financing in circumstances where:

    (a) Yorkton's head trader, Donnini, traded (i.e. sold short) in excess of 500,000 KCA common shares for the benefit of Yorkton's inventory account on February 29 and March 1, 2000, while Donnini had knowledge of undisclosed information in relation to the price and size of the proposed KCA second warrant financing, and in circumstances where Donnini should not have traded KCA common shares on February 29 and March 1, 2000;

    (b) Paterson provided to Donnini undisclosed information in relation to the price and size of the proposed KCA second financing, and failed to direct or instruct Donnini to cease trading in KCA common shares commencing on February 29, 2000. Paterson further failed to notify Yorkton's compliance department that KCA be placed on the grey list on February 29, 2000, having regard to the status of the negotiations between Yorkton and KCA in relation to the proposed KCA second financing; and

    (c) Yorkton failed to place KCA on Yorkton's grey list on February 29, 2000.

105. Yorkton permitted a culture of non-compliance and acted in conflict with an issuer client by selling short common shares of KCA while Yorkton was negotiating the second KCA financing, failing to disclose to KCA that Yorkton was trading in KCA common shares on February 29, 2000 when KCA inquired about trading in its securities, and concealing Yorkton's trading in KCA common shares from KCA and the market by jitneying the short sales with another dealer, beginning on February 29, 2000 and continuing on March 1, 2000.

106. Yorkton permitted a culture of non-compliance and acted in conflict of interest with its retail and institutional clients in connection with:

    (a) the purchase of special warrants from the Yorkton Retail Client on February 28, 2000 in circumstances where Yorkton did not disclose that it was purchasing as principal and, in connection with those trades for its own account, charged a commission to its client; and

    (b) the allocation to its principal account of a larger portion of the second financing, resulting in certain of its sophisticated retail clients not receiving requested allocation.

107. Yorkton failed to maintain appropriate books and records by:

    (a) failing to contemporaneously record and ticket the purchases from two Yorkton clients; and

    (b) failing to file with the TSE a questionnaire and undertaking in the prescribed form in connection with the purchases by Yorkton of special warrants from the two Yorkton clients.

Book4golf

108. Yorkton failed to properly supervise its research function to ensure that for so long as Dent was a director of Book4golf, Dent should not have supervised or reviewed the Research Analyst's Research Reports in relation to Book4golf. Further, Yorkton failed to disclose in the Research Reports the existence of a conflict of interest arising from the research coverage provided by Yorkton in the Research Reports contemporaneous with an officer and employee of Yorkton (in this case, Dent) serving as a director of Book4golf.

109. Yorkton permitted a culture of non-compliance in relation to the purchase of 100,000 Book4golf shares by Paterson and Donnini on January 24, 2000, in respect of the following:

    (i) Having regard to Paterson's multiple roles with Yorkton and Book4golf, and in relation to the purchase by Paterson of 75,000 shares of Book4golf on January 24, 2000, Paterson failed to employ prudent business practices in respect of real or potential conflicts of interest regarding his personal trading, by reason of the following:

        (a) as Donnini's supervisor, Paterson failed to ensure Donnini properly reported a transaction from which Paterson personally profited;

        (b) Paterson knew or ought to have known that the Book4golf transaction had not been reported to the CDNX in light of other trades in Book4golf that Paterson made on January 24, 2000; and

        (c) as the then CEO of Yorkton, Paterson failed to ensure the appearance of fair and equitable trading, having regard to the involvement of Paterson and Yorkton in heavily promoting Book4golf and having regard to the profit made by Paterson from this transaction.

110. Yorkton failed to maintain appropriate books and records, and in particular, trade tickets for Book4golf, and to provide such records to Staff, as required under Ontario securities law.

Storage One

111. Yorkton failed to properly supervise Paterson, and failed to do sufficient prospectus due diligence to ensure that Paterson's knowledge, information and belief relating to the quality and ability of management of Storage One, was disclosed to the prospectus due diligence team.

112. Yorkton permitted a culture of non-compliance in relation to the sale of Storage One shares by Dent to a close relative, and the loan of funds to the close relative to purchase the shares, in conflict with the interests of Yorkton's clients.

COOPERATION OF YORKTON

113. Yorkton and its advisors have cooperated significantly since February, 2001 with Staff in its investigation.

IV. POSITION OF YORKTON

114. OSC Staff, together with staff of the CDNX and the TSE, have conducted lengthy and intensive investigations of Yorkton and individual registrants employed by Yorkton in respect of supervision and compliance, trading, personal investment and conflict of interest issues arising from Yorkton's business activities involving issuers, and institutional and retail investors. These investigations resulted in the regulatory settlements between Yorkton and the CDNX and TSE that were approved by each of the CDNX and TSE on June 4, 2001. These investigations also gave rise to this settlement agreement.

115. Since February, 2001, Yorkton has adopted an action plan to ensure that Yorkton and its individual registrants meet industry standards and act in the public interest in their ongoing business activities. Since February, 2001, Yorkton has taken a number of material steps to adopt best practices in the area of regulatory compliance and to act in the public interest in its ongoing business activities including the following:

(a) in February, 2001, Yorkton Financial designated Alan Schwartz, Q.C. to monitor the regulatory, compliance and legal functions of Yorkton and to coordinate Yorkton's response to the ongoing regulatory investigations;

(b) Yorkton retained the Regulatory Compliance group of PricewaterhouseCoopers LLP ("PwC");

(c) PwC reviewed and reported on Yorkton's compliance policies and procedures regarding trading, personal investment and conflicts of interest;

(d) certain reports prepared for Yorkton by PwC were provided by Yorkton to the Commission and to the TSE;

(e) Yorkton has added eight compliance officers, two responsible for monitoring activities within institutional departments, plus six responsible for monitoring retail aspects of Yorkton's business;

(f) Yorkton is continuing to enhance its governance and compliance functions to ensure it implements, maintains and monitors best practices, policies and procedures regarding trading, personal investment and conflicts of interest;

(g) Yorkton is continuing to implement the structural, policy and procedural changes necessary to support the execution of best practices compliance over trading, personal investment and conflicts of interest;

(h) procedures have been implemented for the monitoring of institutional trading activities, including the development of proprietary computer programs to supervise trading activities on a timely basis and to assist supervisors;

(i) trading blocks and other enhancements have been programmed into the Belzberg and OMS trading platforms to prohibit trades for securities on the restricted list;

(j) Yorkton has implemented policies, procedures and practices to exceed the supervisory processes required to comply with TSE Policy 2-401;

(k) Yorkton has developed new institutional trade desk and CDNX corporate finance manuals which have been provided to the relevant exchanges;

(l) procedures for monitoring and regulating the dissemination of research within Yorkton have been implemented;

(m) Yorkton is upgrading its policies and procedures and in particular has agreed to incorporate and implement policies addressing:

(i) handling of confidential information;
(ii) outside directorships and outside business activities;
(iii) ethical walls, watch and restricted lists;
(iv) personal investing; and
(v) institutional trade desk;

(n) procedures, practices and policies have been implemented to monitor employee trading; and

(o) a formal continuing education program for registrants has been developed with the establishment of a training department and a training coordinator position has been created to monitor and oversee this program.

116. Since February, 2001, Yorkton has taken and agrees to continue to take material steps to adopt best practices in the area of regulatory compliance and to act in the

public interest in its ongoing business activities. Most importantly, Yorkton has a serious and ongoing compliance commitment and attitude.

V. TERMS OF SETTLEMENT

118. Yorkton agrees to the following terms of settlement:

(a) at the time of approval of this settlement agreement, Yorkton will make a voluntary payment to the Commission in the amount of $1,250,000, such payment to be allocated to such third parties as the Commission may determine for purposes that will benefit Ontario investors;

(b) that the Commission make an Order under subsection 127(1)(6) of the Act that Yorkton be reprimanded;

(c) that the Commission make an order under subsection 127(1)(4) of the Act, effective the date of the Order of the Commission approving this Settlement Agreement, that Yorkton shall implement the proposed amendments to IDA Regulation 1300 in the form attached as Schedule "1" to this Settlement Agreement, and any amendments to IDA Regulation 1300 as ultimately approved by the Board of Directors of the IDA;

(d) that the Commission make an Order pursuant to subsection 127(1) of the Act, effective the date of the Order of the Commission approving this Settlement Agreement, imposing the following terms and conditions on the registration of Yorkton:

(i) Yorkton will require each officer and employee of the firm to execute the undertaking attached in the form as Schedule "2" hereto, as a condition to continued employment with Yorkton;

(ii) Yorkton will report forthwith to Staff of the Commission in the event that Yorkton receives information that any officer or employee of Yorkton has breached or is in breach of the undertaking attached in the form as Schedule "2".

(e) that the Commission make an Order under subsection 127(1)(4) of the Act that, within six months of the date of the Order, Yorkton will have retained, at its sole expense, PwC to conduct a independent review of the plan adopted by Yorkton, as described in Part IV, and Schedule "1", to ensure satisfactory implementation of the plan, and to provide a report to Yorkton and Staff as to the results of the review and in particular, a report as to whether Yorkton has complied with the steps referred to in Part IV and Schedule "1". The PwC report will be completed within a reasonable time frame to be set out by PwC, in consultation with Yorkton and Staff;

(f) that the Commission make an Order under subsection 127.1(1)(b) of the Act that Yorkton make payment to the Commission in the amount of $200,000 in respect of the costs of the Commission's investigation in relation to Yorkton, such payment to be made at the time of approval of this settlement; and

(g) Yorkton undertakes to cooperate with the Commission and its Staff with any additional investigation conducted by Staff in relation to matters concerning other persons and companies, including former and current employees of Yorkton.

VI. CONSENT

119. Yorkton hereby consents to an Order of the Commission incorporating the provisions of Part V above in the form of an order attached as Schedule "A"

VII. STAFF COMMITMENT

120. If this settlement is approved by the Commission, Staff will not initiate any other proceeding under the Securities Act, R.S.O. 1990, c. S.5 against Yorkton respecting the facts set out in Part III of this Settlement Agreement.

VIII. APPROVAL OF SETTLEMENT

121. Approval of the settlement set out in this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for December 19, 2001, or such other date as may be agreed to by Staff and Yorkton (the "Settlement Hearing").

122. Counsel for Staff or for Yorkton may refer to any part, or all, of this Settlement Agreement at the Settlement Hearing. Staff and Yorkton agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

123. If this settlement is approved by the Commission, Yorkton agrees to waive its rights to a full hearing, judicial review or appeal of the matter under the Act.

124. Staff and Yorkton agree that if this settlement is approved by the Commission, they will not make any public statement inconsistent with this Settlement Agreement.

125. If, for any reason whatsoever, this settlement is not approved by the Commission, or an order in the form attached as Schedule "A" is not made by the Commission:

(a) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Yorkton leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Yorkton;

(b) Staff and Yorkton shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by this Settlement Agreement or the settlement discussions/negotiations;

(c) the terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person except with the written consent of Staff and Yorkton , or as may be required by law; and

(d) Yorkton agrees that it will not, in any proceeding, refer to or rely upon this Settlement Agreement, the settlement discussions/negotiations or the process of approval of this Settlement Agreement as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

IX. DISCLOSURE OF AGREEMENT

126. Except as permitted under paragraph 125 above, this Settlement Agreement and its terms will be treated as confidential by Staff and Yorkton until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission, except with the written consent of Staff and Yorkton, or as may be required by law.

127. Any obligations of confidentiality attaching to this Settlement Agreement shall terminate upon approval of this settlement by the Commission.

XI. EXECUTION OF SETTLEMENT AGREEMENT

128. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

129. A facsimile copy of any signature shall be as effective as an original signature.

December 14, 2001.

YORKTON SECURITIES INC.

(Per)_____
Authorized Signing Officer

December 17, 2001.

STAFF OF THE ONTARIO SECURITIES COMMISSION

(Per)_____
Michael Watson
Director, Enforcement Branch

Schedule "A"

IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S.5, as amended

AND

IN THE MATTER OF YORKTON SECURITIES INC.

ORDER

WHEREAS on December 17, 2001, the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127(1) and 127.1 of the Securities Act, R.S.O. 1990 c. S.5, as amended (the "Act") in respect of Yorkton Securities Inc. ("Yorkton");

AND WHEREAS Yorkton entered into a settlement agreement dated December 14, 2001 (the "Settlement Agreement") in which it agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission ("Staff"), and upon hearing submissions from counsel for Yorkton and from Staff;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS HEREBY ORDERED THAT:

1. the Settlement Agreement dated December 14, 2001, attached to this Order, is hereby approved;

2. pursuant to subsection 127(1)(6) of the Act, Yorkton is hereby reprimanded;

3. pursuant to subsection 127(1)(4) of the Act, effective the date of this Order, Yorkton shall implement the proposed amendments to IDA Regulation 1300 in the form attached as Schedule "1" to this Settlement Agreement, and any amendments to IDA Regulation 1300 as ultimately approved by the Board of Directors of the IDA;

4. pursuant to 127(1)(4) of the Act, that within six months of the date of the Order Yorkton will have retained, at its sole expense, PwC to conduct a independent review of the plan adopted by Yorkton, as described in Part IV, and Schedule "1", to ensure satisfactory implementation of the plan, and to provide a report to Yorkton and Staff as to the results of the review and, in particular, a report as to whether Yorkton has complied with the steps referred to in Part IV and Schedule "1". The PwC report will be completed within a reasonable time frame to be set out by PwC, in consultation with Yorkton and Staff

5. pursuant to clause 1 of subsection 127(1) of the Act, effective the date of this Order, the following terms and conditions are imposed on the registration of Yorkton:

   i. Yorkton will require each officer and employee of the firm to execute forthwith the undertaking

attached in the form as Schedule "2" hereto, as a condition to continued employment with Yorkton; and

ii Yorkton will report forthwith to Staff of the Commission in the event that Yorkton receives information that any officer or employee of Yorkton has breached or is in breach of the undertaking attached in the form of Schedule "2".

6. Pursuant to subsection 127.1(2)(b) of the Act, at the time of approval of this settlement, Yorkton is ordered to pay $200,000 to the Commission in respect of a portion of the Commission's costs with respect to this matter.

December 19, 2001.

SCHEDULE 1

INVESTMENT DEALERS ASSOCIATION OF CANADA
REGULATION 1300

SUPERVISION OF ACCOUNTS

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

Regulation 1300 is amended as follows:

1. By adding the following paragraphs after Regulation 1300.1(a):

"(b) When an account is being opened for a private corporation or similar entity, the Member shall attempt to ascertain the identity of any beneficial owner of more than 20% of the corporation or similar entity, including the name, address, citizenship, occupation and employer of each such beneficial owner, and whether any such beneficial owner is an insider or controlling shareholder of a publicly traded corporation or similar entity.

(c) If a Member, on inquiry, is unable to determine the beneficial owner or owners of an account as required in subsection (b), the Member shall not open the account without the approval of the Ultimate Designated Person under By-law 38 or an Alternate Designated Person specifically designated by the Ultimate Designated Person to approve the opening of such accounts.

(d) Subsection (b) does not apply to a private corporation or similar entity that a Member has ascertained, after reasonable enquiries, to be a bank, trust or loan company, credit union, caisse populaire, insurance company, mutual fund management company, pension fund, investment manager or similar financial institution established and regulated under the laws of its home jurisdiction.

(e) On receipt of notice from any department or agency of the Government of Canada or the government of any province of Canada, or an international organization of which the Government of Canada is a Member, that the regulatory arrangements of any jurisdiction have been found to be materially deficient in comparison with internationally accepted standards, the Association may direct Members that the exemption in subsection (d) does not apply to some or all types of financial institutions located in that jurisdiction."

2. By renumbering existing Regulations 1300.1(b) through 1300.1(f) to new Regulations 1300.1(f) through 1300.1(j) respectively.

3. By adding the title "Account Opening Supervision." to Regulation 1300.2.

4. By making the following wording changes to Regulation 1300.2.(a):

   (a) Deleting the words "Each such designated person shall be approved by the applicable District Council and,"

   (b) Capitalizing the word "Where" immediately following the deleted words referred to in (a); and

   (c) Replacing the first word in the sixth line, specifically the word "may", with the word "shall".

5. By correcting the cross-reference that appears in Regulation 1300.2(b) from Regulation 1300.1(e) and 1300.1(j).

6. By adding new Regulation 1300.2(c) as follows:

   "(c) Where a Member opens an account for a private corporation or similar entity without having ascertained the identities of the beneficial owners as provided for in Regulation 1300.1(b) and (c), the Member shall impose heightened supervision of the activity of such accounts. Such supervision shall include, as a minimum:

      (i) specific identification of the account as requiring heightened supervision, through being placed in a separate account range or use of a similar method of automatic identification;

      (ii) daily and monthly review of account activity to detect unusual activity. Such reviews shall consider, at a minimum, the types of securities traded, size of transactions, frequency of trading and monetary and securities movements in the account;

      (iii) reporting of any unusual activity to the Ultimate Designated Person or the Alternate Designated Person responsible for the opening of such accounts under Regulation 1300.1(c) who shall, on the basis of such a report, determine what action is to be taken including whether the account should remain open."

PASSED AND ENACTED BY THE Board of Directors this 17th day of October 2001, to be effective on a date to be determined by Association Staff.

SCHEDULE 2

UNDERTAKING AND REPRESENTATION

Accounts to be Carried at Yorkton

I, the undersigned employee of Yorkton Securities Inc. ("Yorkton"), undertake to carry at Yorkon any and all brokerage accounts in which I have a direct or indirect beneficial interest, as well as any brokerage accounts over which I may exercise control or direction. Compliance with this undertaking includes, but is not limited to, compliance with Yorkton's policy regarding employee accounts.

Any exception by Yorkton and its employees to the foregoing shall be at the sole and unilateral discretion of Yorkton's UDP only in respect of accounts maintained at other brokerages in Canada, which discretion shall only be granted in writing on written application by the employee based on unique and exceptional circumstances.

Offshore Interests

I certify and represent that as of the date of this document, I do not have a direct or indirect beneficial interest in, or control or direction over, any offshore entity.

Where in the past, during my time of employment at Yorkton, I may have had a direct or indirect beneficial interest in, or control or direction over, any offshore entity, I have indicated and certify to be true on the attached "Schedule of Offshore Interests", the name, identification number and location of every such offshore entity.

For purposes of this certification and representation, I understand and acknowledge that "offshore entity" means any type of account, corporation, trust, partnership, investment club, nominee arrangement, or any other type of entity, structure, arrangement or organization which is incorporated, located, domiciled, registered or resident outside of Canada.

DATED this _____ day of _____ , 20___ .

_____

(sign name)

_____

(print name)

SCHEDULE
OF
OFFSHORE INTERESTS
FOR

_____
(print name)

Account/Entity Name	Identification Number	Location (Country)

2.2.5 Canabrava Diamond Corporation - Order and Decision

Headnote

Subsection 83.1(1) - issuer deemed to be a reporting issuer in Ontario - issuer has been a reporting issuer in British Columbia since 1990 and Alberta since 1987 - issuer listed and posted for trading on the Canadian Venture Exchange - continuous disclosure requirements of British Columbia and Alberta substantially identical to those of Ontario.

NI 43-101 - issuer exempt from filing technical report in subsection 4.1(1) of NI 43-101 and from related fee set out in subsection 53(1) of Schedule 1 to Reg.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 83.1(1).

Regulations Cited

Regulation 1015, R.R.R. 1990, as am., Schedule 1- ss. 53(1), 59(2).

National Instruments Cited

National Instrument 43-101 - Standards of Disclosure for Mineral Projects (2001), 24 OSCB 303, ss. 4.1(1), 9.1(1).

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the "Act"),
ONTARIO REGULATION 1015, R.R.O 1990, AS AMENDED (The "Regulation"),
AND
NATIONAL INSTRUMENT 43-101
STANDARDS OF DISCLOSURE
FOR MINERAL PROJECTS
('NI 43-101")

AND

IN THE MATTER OF
CANABRAVA DIAMOND CORPORATION

ORDER AND DECISION
(Subsection 83.1(1) of the Act,
Subsection 9.1(1) of NI 43-101 &
Subsection 59(2) of Schedule 1 to the Regulation)

UPON the application (the "Application") of Canabrava Diamond Corporation (the "Issuer") for an order pursuant to subsection 83.1(1) of the Act deeming the Issuer to be a reporting issuer for the purposes of Ontario securities law.

AND UPON the application of the Issuer to the Director of the Commission for a decision that the Issuer be exempt from the requirement contained in subsection 4.1(1) of NI 43-101 to file a technical report upon first becoming a reporting issuer in Ontario and pursuant to subsection 59(2) of Schedule 1 to the Regulation for a decision that the Applicant be exempt from the requirement contained in subsection 53(1) of Schedule 1 to the Regulation to pay a fee in connection with this application;

AND UPON considering the Application and the recommendation of the staff of the Commission.

AND UPON the Issuer representing to the Commission and the Director that:

1. The Issuer is a corporation amalgamated under the laws of British Columbia on November 1, 1994.

2. The Issuer's head office is located in Vancouver, British Columbia.

3. The authorized share capital of the Issuer consists of 300,000,000 shares divided into: (a) 100,000,000 common shares without par value of which there are currently 43,883,506 common shares issued and outstanding; (b) 100,000,000 Class "A" Preference shares with a par value of $10.00 each none of which are currently issued or outstanding; and (c) 100,000,000 Class "B" Preference shares with a par value of $50.00 each none of which are currently issued or outstanding.

4. The Issuer has been a reporting issuer under the *Securities Act* (British Columbia) since October 15, 1990 and a reporting issuer under the *Securities Act* (Alberta) since October 8, 1987.

5. The Issuer is not a reporting issuer in Ontario or any jurisdiction other than British Columbia and Alberta.

6. The Issuer is up to date in the filing of its financial statements and other continuous disclosure documents.

7. The common shares of the Issuer are listed on the Canadian Venture Exchange ("CDNX") and the Issuer is in compliance with all requirements of the CDNX.

8. The CDNX requires all of its listed issuers, which are not otherwise reporting issuers in Ontario, to assess whether they have a "significant connection to Ontario" as defined in Policy 1.1 of the CDNX Corporate Finance Manual.

9. The CDNX requires that where an issuer, which is not otherwise a reporting issuer in Ontario, becomes aware that it has a significant connection to Ontario, the issuer promptly make a *bona fide* application to the Commission to be deemed a reporting issuer in Ontario.

10. The Issuer has applied to the Commission pursuant to subsection 83.1(1) of the Act for an order that it be deemed a reporting issuer in Ontario.

11. Subsection 4.1(1) of NI 43-101 provides that, upon first becoming a reporting issuer in a Canadian jurisdiction, an issuer shall file with the securities regulatory authority in that Canadian jurisdiction, a current technical report for each property material to the issuer.

12. The Issuer does not have a current technical report and would not otherwise be required to file a technical report pursuant to NI 43-101 at this time except for having to become a reporting issuer in Ontario pursuant to the CDNX Corporate Finance Manual.

13. The Issuer has a significant connection to Ontario because, based on an independent assessment, beneficial shareholders resident in Ontario hold about 30% of the Issuer's outstanding shares.

14. The continuous disclosure requirements of the *Securities Act* (British Columbia) and the *Securities Act* (Alberta) are substantially the same as the requirements under the Act.

15. The continuous disclosure materials filed by the Issuer under the *Securities Act* (British Columbia) and the *Securities Act* (Alberta) are available on the System for Electronic Document Analysis and Retrieval.

16. Neither the Issuer nor any of its officers, directors or controlling shareholders has (i) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority (ii) entered into a settlement agreement with a Canadian securities regulatory authority, or (iii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

17. Neither the Issuer nor any of its directors, officers nor, to the knowledge of the Issuer, its directors and officers, any of its controlling shareholders, is or has been subject to: (i) any known ongoing or concluded investigations by: (a) a Canadian securities regulatory authority, or (b) a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager of trustee, within the preceding 10 years.

18. None of the directors or officers of the Issuer, nor to the knowledge of the Issuer, its directors and officers, any of its controlling shareholders, is or has been at the time of such event a director or officer of any other issuer which is or has been subject to: (i) any cease trade or similar orders, or orders that denied access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, within the preceding 10 years.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS HEREBY ORDERED pursuant to subsection 83.1(1) of the Act that the Issuer is deemed to be a reporting issuer for the purposes of Ontario securities law.

February 18, 2002.

"Iva Vranic"

AND IT IS DECIDED pursuant to subsection 9.1(1) of NI 43-101 that the Issuer is exempt from subsection 4.1(1) of NI 43-101 upon being deemed to be a reporting issuer in Ontario;

AND IT IS FURTHER DECIDED pursuant to subsection 59(2) of Schedule I to the Regulation that the Issuer is exempt from the requirement contained in subsection 53(1) of Schedule I to the Regulation to pay a fee in connection with the making of this application.

February 18, 2002.

"Iva Vranic"

2.2.6 Robert James Emerson - Order and Settlement Agreement

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, C. S.5, AS AMENDED

AND

IN THE MATTER OF
ROBERT JAMES EMERSON

ORDER
(Section 127 and 127.1)

WHEREAS on February 11, 2002 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing pursuant to sections 127 and 127.1 of the Securities Act, R.S.O. 1990 c.S.5, as amended (the "Act") in respect of Robert James Emerson ("Emerson");

AND WHEREAS Emerson entered into a settlement agreement dated February 11, 2002 (the "Settlement Agreement") in which he agreed to a proposed settlement of the proceeding, subject to the approval of the Commission;

AND UPON reviewing the Settlement Agreement and the Statement of Allegations of Staff of the Commission, and upon hearing submissions from the respondent and from Staff of the Commission;

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this Order;

IT IS ORDERED THAT:

(1) the Settlement Agreement dated February 11th, 2002 attached to this Order is hereby approved;

(2) pursuant to clause 2 of subsection 127(1) of the Act, effective from the date of this Order, Emerson shall cease trading in securities for a period of five years, with the exception of any sale by Emerson of Emerson's Current Interest in 1279514 Ontario Inc., as more particularly described in the Settlement Agreement;

(3) pursuant to clause 8 of subsection 127(1) of the Act, Emerson is prohibited from becoming or acting as an officer of a reporting issuer in Ontario, a director of an issuer in Ontario, and an officer or director of any issuer which has an interest in any registrant, for a period of five years effective from the date of this Order, except that Emerson may continue in his position as sole officer and director of Erinlee Holdings Inc.

(4) pursuant to clause 6 of subsection 127(1) of the Act, Emerson is hereby reprimanded.

February 19, 2002.

"Paul M. Moore" "R. Stephen Paddon"

"M T McLeod"

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, C. S.5, AS AMENDED

AND

IN THE MATTER OF
ROBERT JAMES EMERSON

SETTLEMENT AGREEMENT

I INTRODUCTION

1. By Notice of Hearing dated February 11, 2002 (the "Notice of Hearing"), the Ontario Securities Commission (the "Commission") announced that it proposed to hold a hearing to consider whether, pursuant to sections 127 and 127.1 of the Securities Act, R.S.O. 1990, c. S.5, as amended (the "Act"), in the opinion of the Commission, it is in the public interest for the Commission:

   (a) to make an order pursuant to section 127(1) clause 2 of the Act that trading in securities by Robert James Emerson ("Emerson") cease permanently or for such other period as specified by the Commission;

   (b) to make an order pursuant to section 127(1) clause 7 of the Act that Emerson resign one or more positions which Emerson may hold as an officer or director of any issuer;

   (c) to make an order pursuant to section 127(1) clause 8 of the Act that Emerson is prohibited from becoming or acting as a director or officer of any issuer permanently or for such other period as specified by the Commission;

   (d) to make an order pursuant to section 127(1) clause 6 of the Act that Emerson be reprimanded;

   (e) to make an order pursuant to section 127.1 of the Act that Emerson pay the costs of Staff's investigation and the costs of, or related to, this proceeding, incurred by or on behalf of the Commission;

   (f) to make such other order as the Commission considers appropriate.

II JOINT SETTLEMENT RECOMMENDATION

2. Staff of the Commission ("Staff") agree to recommend settlement of the proceedings initiated in respect of the respondent by the Notice of Hearing in accordance with the terms and conditions set out below. The respondent agrees to the settlement on the basis of the facts agreed to as hereinafter provided and the respondent consents to the making of an Order in the form attached as Schedule "A" on the basis of the facts set out below.

3. This settlement agreement, including the attached Schedule "A" (collectively, the "Settlement Agreement"), will be released to the public only if and when the settlement is approved by the Commission.

III SETTLEMENT OF FACTS AND CONCLUSIONS

Acknowledgement

4. Staff and the respondent agree with the facts and conclusions set out in Part III of the Settlement Agreement.

Introduction

5. During the period from approximately May 1995 to December 1996 (the "Material Time"), Emerson was the President of IPO Capital Corp. ("IPO Capital") and registered pursuant to the Act as the sole trading officer of IPO Capital. During the Material Time, IPO Capital was registered pursuant to the Act as a securities dealer, until August 1996, at which time it was registered as a broker pursuant to the Act. Emerson has not been registered in any capacity pursuant to the Act since October 19, 1998.

Trading by Emerson Contrary to the Requirements of Ontario Securities Law

6. During the Material Time, Emerson traded in securities, where such trading was a distribution of such securities, without having filed a preliminary prospectus and a prospectus, and obtaining receipts therefor from the Director, and without an exemption to the prospectus requirement, contrary to section 53(1) of the Act.

7. Emerson engaged in conduct which constituted trading in securities contrary to the requirements of Ontario securities law by carrying out acts in furtherance of trades of securities in certain companies, as described below. In particular, during the Material Time, Emerson solicited approximately 70 individuals and companies in Ontario and elsewhere, to purchase securities in three companies, namely, Royal Laser Tech Corporation ("Royal Laser"), Champion Communication Services Inc. ("Champion"), and Luxell Technologies Inc. ("Luxell") (collectively, referred to as the "Companies"). Of the 70 investors, at least 36 investors were clients of IPO Capital. Emerson arranged for these investors to purchase securities in the Companies through a series of pooling and subscription agreements entered into between the investors and Britwirth Investment Company, Ltd. (the "Agreements"). Britwirth Investment Company, Ltd. ("Britwirth") was incorporated pursuant to the laws of Turks and Caicos Islands and was not registered in any capacity under the Act.

8. Subsequent to receiving funds from investors for the purchase of securities in the Companies, Britwirth purchased securities in the Companies. Britwirth then distributed securities in Royal Laser and Champion to the investors who had purchased securities through the Agreements. In the case of the securities of Luxell, Emerson arranged for the transfer of Luxell shares from an account in the name of Britwirth held at IPO Capital to 57 individuals, 37 of which were clients of IPO Capital.

9. During the Material Time, IPO Capital or Emerson earned fees and commissions in the amount of at least $61,000 in relation to the investors Emerson solicited to purchase securities in the Companies as described above. Emerson was the sole shareholder of IPO Capital during the Material Time.

10. Emerson failed to deal fairly, honestly and in good faith with clients of IPO Capital, in breach of the requirements set out in Ontario securities law, and in particular subsections 2.1(1) and (2) of Rule 31-505, in that Emerson solicited certain clients of IPO Capital to purchase securities through the pooling arrangements described above when he was aware that such securities had not been distributed pursuant to a receipted prospectus.

11. Emerson owns directly, and indirectly as a shareholder of Erinlee Holdings Inc. ("Erinlee Holdings"), 12.4% or 1,701,447 shares ("Emerson's Current Interest") of 1279514 Ontario Inc. ("1279514"). IPO Capital is 100% owned by 1279514. Emerson is the sole officer and director of Erinlee Holdings, a closely held company.

Conduct Contrary To The Public Interest

12. In summary, during the Material Time, Emerson violated Ontario securities law and engaged in conduct contrary to the public interest, by reason of the following:

    (a) Emerson traded in securities, as outlined above, where such trading constituted a distribution of such securities, without filing and obtaining a receipt for a prospectus and without an exemption to the prospectus requirement, contrary to section 53(1) of the Act; and

    (b) Emerson failed to deal fairly, honestly and in good faith with clients of IPO Capital, in breach of the requirements set out in Ontario securities law, and in particular subsections 2.1(1) and (2) of Rule 31-505, in that Emerson solicited certain clients of IPO Capital to purchase securities through the pooling arrangements described above when he was aware that such securities had not been distributed pursuant to a receipted prospectus.

IV TERMS OF SETTLEMENT

13. The respondent agrees to the following terms of settlement:

    (a) pursuant to clause 8 of subsection 127(1) of the Act, Emerson is prohibited from becoming or acting as an officer of a reporting issuer in Ontario, a director of an issuer in Ontario and an officer or director of a registrant or of any issuer which has an interest directly or indirectly in any

registrant, for a period of five years effective from the date of the Order of the Commission approving the proposed Settlement Agreement herein, except that Emerson may continue in his position as sole officer and director of Erinlee Holdings;

(b) Emerson will not own directly or indirectly any interest in a registrant for a period of five years effective from the date of the Commission's Order approving this Settlement Agreement, with the exception of Emerson's Current Interest in 1279514. Emerson undertakes to take necessary and reasonable steps to sell Emerson's Current Interest in 1279514. During the time in which Emerson owns any interest in 1279514, either directly or indirectly, for the five year period effective from the date of the Order of the Commission approving this Settlement Agreement, Emerson agrees not to exercise voting rights, control or otherwise influence or attempt to influence management of 1279514 or the affairs of 1279514, except in relation to the aforesaid sale of Emerson's Current Interest in 1279514. Emerson further agrees not to purchase directly or indirectly any additional shares of 1279514 for a period of five years from the date of the Order of the Commission approving this Settlement Agreement;

(c) Pursuant to clause 2 of subsection 127(1) of the Act, Emerson is prohibited from trading in securities for a period of five years effective from the date of the Order of the Commission approving this Settlement Agreement, with the exception of any sale by Emerson of Emerson's Current Interest in 1279514 as outlined in paragraph 13(b) above; and

(d) Emerson will be reprimanded and he will attend the hearing in person to be reprimanded by the Commission under clause 6 of subsection 127(1) of the Act.

V STAFF COMMITMENT

14. If this Settlement Agreement is approved by the Commission, Staff will not initiate any complaint to the Commission or request the Commission to hold a hearing or issue any order in respect of any conduct or alleged conduct of the respondent in relation to the facts set out in Part III of this Settlement Agreement.

VI PROCEDURE FOR APPROVAL OF SETTLEMENT

15. Approval of the settlement set out in this Settlement Agreement shall be sought at the public hearing of the Commission scheduled for February, 2002, or such other date as may be agreed to by Staff and the respondent (the "Settlement Hearing").

16. Counsel for Staff or the respondent Emerson may refer to any part, or all, of this Settlement Agreement at the Settlement Hearing. Staff and Emerson agree that this Settlement Agreement will constitute the entirety of the evidence to be submitted at the Settlement Hearing.

17. If this settlement is approved by the Commission, Emerson agrees to waive his rights to a full hearing, judicial review or appeal of the matter under the Act.

18. Staff and Emerson agree that if this settlement is approved by the Commission, they will not make any public statement inconsistent with this Settlement Agreement.

19. If, for any reason whatsoever, this settlement is not approved by the Commission, or an order in the form attached as Schedule "A" is not made by the Commission;

(a) this Settlement Agreement and its terms, including all discussions and negotiations between Staff and Emerson leading up to its presentation at the Settlement Hearing, shall be without prejudice to Staff and Emerson;

(b) Staff and Emerson shall be entitled to all available proceedings, remedies and challenges, including proceeding to a hearing of the allegations in the Notice of Hearing and Statement of Allegations of Staff, unaffected by this Settlement Agreement or the settlement discussions/negotiations;

(c) the terms of this Settlement Agreement will not be referred to in any subsequent proceeding, or disclosed to any person except with the written consent of Staff and Emerson , or as may be required by law; and

(d) Emerson agrees that he will not, in any proceeding, refer to or rely upon this Settlement Agreement, the settlement discussions/negotiations or the process of approval of this Settlement Agreement as the basis of any attack on the Commission's jurisdiction, alleged bias or appearance of bias, alleged unfairness or any other remedies or challenges that may otherwise be available.

VII. DISCLOSURE OF AGREEMENT

20. Except as permitted under paragraph 19 above, this Settlement Agreement and its terms will be treated as confidential by Staff and Emerson until approved by the Commission, and forever if, for any reason whatsoever, this settlement is not approved by the Commission, except with the written consent of Staff and Emerson, or as may be required by law.

21. Any obligations of confidentiality shall terminate upon approval of this settlement by the Commission.

VIII. EXECUTION OF SETTLEMENT AGREEMENT

22. This Settlement Agreement may be signed in one or more counterparts which together shall constitute a binding agreement.

23. A facsimile copy of any signature shall be as effective as an original signature.

February 11, 2002.

Robert James Emerson

Signed in the presence of:

_____

Staff of the Ontario Securities Commission
Per:

_____
Michael Watson
Director, Enforcement Branch

2.3 Rulings

2.3.1 Mulvihill Pro-AMS RSP Split Share Corp. - Ruling and Exemption

Headnote

Subsection 74(1) - Issuer exempt from sections 25 and 53 of the Act in connection with the writing of over-the-counter covered call options, subject to certain conditions.

Subsection 59(2), Schedule 1 - Issuer exempt from the fees prescribed by subsection 28(2) of Schedule 1 of the Regulation in connection with the writing of over-the-counter covered call options.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25, 53 and 74(1)

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., ss. 28(2) and 59(1) of Schedule 1.

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, CHAPTER S.5, AS AMENDED
(the "Act")

AND

IN THE MATTER OF
R.R.O. 1990, REGULATION 1015, AS AMENDED
(the "Regulation")

AND

IN THE MATTER OF
MULVIHILL PRO-AMS RSP SPLIT SHARE CORP.

RULING AND EXEMPTION
(Subsection 74(1) of the Act and Subsection 59(1) of Schedule 1 of the Regulation)

UPON the application of Mulvihill Fund Services Inc. ("Mulvihill"), as manager of Mulvihill Pro-AMS RSP Split Share Corp. (the "Company"), to the Ontario Securities Commission (the "Commission") for a ruling:

(i) pursuant to subsection 74(1) of the Act that the writing of certain over-the-counter covered call options and cash covered put options (collectively, the "OTC Options") by the Company is not subject to sections 25 and 53 of the Act; and

(ii) pursuant to subsection 59(1) of Schedule 1 of the Regulation for an exemption from the fees required to be paid under section 28 of Schedule 1 of the Regulation in connection with the writing of certain OTC Options by the Company;

AND UPON considering the application and the recommendation of the staff of the Commission;

AND UPON Mulvihill having represented to the Commission as follows:

1. The Company is a mutual fund corporation established under the laws of the Province of Ontario.

2. The authorized capital of the Company will consist of an unlimited number of class A shares (the "Class A Shares"), class B shares (the "Class B Shares") and class J shares;

3. The Company is considered a "mutual fund" within the meaning of the Act and other applicable securities legislation.

4. The Company is not a reporting issuer under the Act but has filed a preliminary prospectus dated January 8, 2002 and will file a (final) prospectus (the "Prospectus") with the Commission and with the securities regulatory authority in each of the other Provinces of Canada under Sedar Project No. 413988 with respect to proposed offering of Class A Shares and the Class B Shares.

5. Mulvihill Capital Management Inc. ("MCM") will act as investment manager of the Company.

6. MCM is registered under the Act in the categories of investment counsel and portfolio manager, mutual fund dealer and limited market dealer.

7. The Company's investment objectives for the Class A Shares are: (i) to provide holders of Class A Shares with fixed cumulative preferential monthly cash distributions; and (ii) to pay such holders $10.00 for each Class A Share held on redemption of the Class A Shares on December 31, 2013 (the "Termination Date") (to be paid in priority out of the Managed Portfolio (as defined below)).

8. The Company's investment objectives for the Class B Shares are: (i) to provide holders of Class B Shares with regular monthly cash distributions; (ii) to pay such holders $20.00 for each Class B Share held on the redemption of the Class B Shares on the Termination Date; and (iii) on the Termination Date, to provide holders of Class B Shares with the balance of the value of the Managed Portfolio after paying holders of the Class A Shares $10.00 per Class A Share.

9. To enhance the Company's ability to return the original issue price of the Class A Shares on termination, the Company intends to contribute, every six months (commencing on September 30, 2002) an amount per Class A Share outstanding targeted to be a minimum of 1/23rd of the issue price of a Class A Share, to an account (the "Class A Share Forward Account") which will be used to acquire Canadian equity securities. The Company will at each such time enter into a forward purchase and sale agreement (each a "Class A Share Forward Agreement") with Royal Bank of Canada

("RBC") and pursuant to the terms thereof will agree to deliver the equity securities so acquired for a cash amount on termination which will be negotiated at the time such forward agreement is entered into. The Company will not enter into additional Class A Share Forward Agreements at such time as the forward value payable to the Company under the Class A Share Forward Agreements on the Termination Date equals the Class A Share issue price ($10.00) multiplied by the number of Class A Shares outstanding.

10. To provide the Company with the means to return the original issue price of the Class B Shares on termination, the Company will enter into a forward purchase and sale agreement (the "Class B Share Forward Agreement") with RBC upon or within 30 days of the closing of the offering. Pursuant to the Class B Share Forward Agreement, RBC will agree to pay to the Company an amount equal to $20.00 in respect of each Class B Share outstanding on the Termination Date in exchange for the Company agreeing to deliver to RBC equity securities which the Company will acquire with a portion of the gross proceeds of the offering (the "Fixed Portfolio").

11. The balance of the net proceeds of the offering: (i) will be invested by the Company in a diversified portfolio consisting principally of Canadian and U.S. equity securities that are listed on a major North American stock exchange or market whose issuers have a market capitalization in excess of U.S.$5.0 billion if listed solely in the United States or a market capitalization in excess of Cdn.$1.0 billion if listed in Canada, and (ii) will also be used to enter into the Class A Share Forward Agreements (collectively, the "Managed Portfolio").

12. The Company will, from time to time, write covered call options in respect of all or part of the securities in its Managed Portfolio (other than Managed Portfolio securities pledged as a result of entering into the Class A Share Forward Agreements). The investment criteria of the Company prohibits the sale of equity securities subject to an outstanding call option, and therefore the call options will be covered at all times.

13. The Company may, from time to time, hold a portion of its assets in "cash equivalents" (as that term is defined in the Prospectus). The Company may utilize such cash equivalents to provide cover in respect of the writing of cash covered put options. Such cash covered put options will only be written in respect of securities in which the Company is permitted to invest.

14. The purchasers of OTC Options written by the Company will generally be major Canadian financial institutions and all purchasers of OTC Options will be persons or entities described in Schedule 1 to this ruling.

15. The writing of OTC Options by the Company will not be used as a means for the Company to raise new capital.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS RULED, pursuant to subsection 74(1) of the Act, that the writing of OTC Options by the Company, as contemplated by paragraphs 12 and 13 of this ruling, shall not be subject to sections 25 and 53 of the Act provided that:

(a) the portfolio adviser advising the Company with respect to such activities is registered as an adviser under the Act and meets the proficiency requirements in Ontario for advising with respect to options;

(b) each purchaser of an OTC Option written by the Company is a person or entity described in Schedule 1 to this ruling; and

(c) a receipt for the Prospectus has been issued by the Director under the Act;

AND PURSUANT to section 59 of Schedule 1 to the Regulation the Company is hereby exempted from the fees which would otherwise be payable pursuant to Section 28 of Schedule 1 to the Regulation in connection with any OTC Options written by the Company in reliance on the above ruling.

February 15, 2002.

"Paul M. Moore" "R. Stephen Paddon"

APPENDIX A

QUALIFIED PARTIES

Interpretation

(1) The terms "subsidiary" and "holding body corporate" used in paragraphs (w), (x) and (y) of subsection (3) of this Appendix have the same meaning as they have in the *Business Corporations Act* (Ontario).

(2) All requirements contained in this Appendix that are based on the amounts shown on the balance sheet of an entity apply to the consolidated balance sheet of the entity.

Qualified Parties Acting as Principal

(3) The following are qualified parties for all OTC derivatives transactions, if acting as principal:

Banks

(a) A bank listed in Schedule I, II or III to the *Bank Act* (Canada).

(b) The Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada).

(c) A bank subject to the regulatory regime of a country that is a member of the Basel Accord, or that has adopted the banking and supervisory rules set out in the Basel Accord, if the bank has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Credit Unions and Caisses Populaires

(d) A credit union central, federation of caisses populaires, credit union or regional caisse populaire, located, in each case, in Canada.

Loan and Trust Companies

(e) A loan corporation or trust corporation registered under the *Loan and Trust Corporations Act* (Ontario) or under the *Trust and Loan Companies Act* (Canada), or under comparable legislation in any other province or territory of Canada.

(f) A loan company or trust company subject to the regulatory regime of a country that is a member of the Basel Accord, or that has adopted the banking and supervisory rules set out in the Basel Accord, if the loan company or trust company has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Insurance Companies

(g) An insurance company licensed to do business in Canada or a province or territory of Canada.

(h) An insurance company subject to the regulatory regime of a country that is a member of the Basel Accord, or that has adopted the banking and supervisory rules set out in the Basel Accord, if the insurance company has a minimum paid up capital and surplus, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Sophisticated Entities

(i) A person or company that a person or company that, together with its affiliates,

(i) has entered into one or more transactions involving OTC derivatives with counterparties that are not its affiliates, if

(A) the transactions had a total gross dollar value of or equivalent to at least $1 billion in notional principal amount; and

(B) any of the contracts relating to one of these transactions was outstanding on any day during the previous 15-month period, or

(ii) had total gross marked-to-market positions of or equivalent to at least $100 million aggregated across counterparties, with counterparties that are not its affiliates in one or more transactions involving OTC derivatives on any day during the previous 15-month period.

Individuals

(j) An individual who, either alone or jointly with the individual's spouse, has a net worth of at least $5 million, or its equivalent in another currency, excluding the value of his or her principal residence.

Governments/Agencies

(k) Her Majesty in right of Canada or any province or territory of Canada and each crown corporation, instrumentality and agency of a Canadian federal, provincial or territorial government.

(l) A national government of a country that is a member of the Basel Accord or that has adopted the banking and supervisory rules of the Basel Accord, and each instrumentality and agency of that government or corporation wholly-owned by that government;

Municipalities

(m) Any Canadian municipality with a population in excess of 50,000 and any Canadian provincial or territorial capital city.

Corporations and other Entities

(n) A company, partnership, unincorporated association or organization or trust, other than an entity referred to in paragraph (a), (b), (c), (d), (e), (f), (g) or (h), with total revenue or assets, in excess of $25 million or its equivalent in another currency, as shown on its last financial statement, to be audited only if otherwise required.

Pension Plan or Fund

(o) A pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission, if the pension fund has total net assets, as shown on its last audited balance sheet, in excess of $25 million, provided that, in determining net assets, the liability of a fund for future pension payments shall not be included.

Mutual Funds and Investment Funds

(p) A mutual fund or non-redeemable investment fund if each investor in the fund is a qualified party.

(q) A mutual fund that distributes securities in Ontario, if the portfolio manager of the fund is registered as an adviser, other than a securities adviser, under the Act or securities legislation elsewhere in Canada.

(r) A non-redeemable investment fund that distributes its securities in Ontario if the portfolio manager is registered as an adviser, other than a securities adviser, under the Act or securities legislation elsewhere in Canada.

Brokers/Investment Dealers

(s) A person or company registered under the Act or securities legislation elsewhere in Canada as a broker or an investment dealer or both.

(t) A person or company registered under the Act as an international dealer if the person or company has total assets, as shown on its last audited balance sheet, in excess of $25 million or its equivalent in another currency.

Futures Commission Merchants

(u) A person or company registered under the CFA as a dealer in the category of futures commission merchant, or in an equivalent capacity elsewhere in Canada.

Charities

(v) A registered charity under the *Income Tax Act* (Canada) with assets not used directly in charitable activities or administration, as shown on its last audited balance sheet, of at least $5 million or its equivalent in another currency.

Affiliates

(w) A wholly-owned subsidiary of any of the organizations described in paragraph (a), (b), (c), (d), (e), (f), (g), (h), (j), (n), (o), (s), (t) or (u).

(x) A holding body corporate of which any of the organizations described in paragraph (w) is a wholly-owned subsidiary.

(y) A wholly-owned subsidiary of a holding body corporate described in paragraph (x).

(z) A firm, partnership, joint venture or other form of unincorporated association in which one or more of the organizations described in paragraph (w), (x) or (y) have a direct or indirect controlling interest.

Guaranteed Party

(aa) A party whose obligations in respect of the OTC derivatives transaction for which the determination is made is fully guaranteed by another qualified party.

Qualified Party Not Acting as Principal

(4) The following are qualified parties, in respect of all OTC derivative transactions:

Managed Accounts

1. Accounts of a person, company, pension fund or pooled fund trust that are fully managed by a portfolio manager or financial intermediary referred to in paragraphs (a), (d), (e), (g), (s), (t), (u) or (w) of subsection (3) or a broker or investment dealer acting as a trustee or agent for the person, company, pension fund or pooled fund trust under section 148 of the Regulation.

Subsequent Failure to Qualify

(5) A party is a qualified party for the purpose of any OTC derivatives transaction if it, he or she is a qualified party at the time it, he or she enters into the transaction.

Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 Reasons: Decisions

3.1.1 M.C.J.C. Holdings and Michael Cowpland

IN THE MATTER OF THE SECURITIES ACT
R.S.O. 1990, c. S. 5, AS AMENDED

AND

IN THE MATTER OF
M.C.J.C. HOLDINGS INC. AND MICHAEL COWPLAND

Hearing:	**February 12, 2002**		
Panel:	**Paul M. Moore, Q.C.**	-	**Vice-Chair (Chair of the Panel)**
	Kerry D. Adams, FCA	-	**Commissioner**
	Mary Theresa McLeod	-	**Commissioner**
Counsel:	**Melissa Kennedy** **Matthew Britton**	-	**For the Staff of the Ontario Securities Commission**
	Nigel Campbell	-	**For M.C.J.C. Holdings Inc. and Michael Cowpland**

EXCERPT FROM THE SETTLEMENT HEARING
CONTAINING THE ORAL REASONS FOR DECISION

The following statement has been prepared for purposes of publication in the Ontario Securities Commission Bulletin and is based on the transcript of the oral hearing, including oral reasons delivered at the hearing, in the matter of M.C.J.C. Holdings Inc. and Michael Cowpland. The transcript has been edited, supplemented and approved by the panel for the purpose of providing a public record of the panel's decision in the matter.

VICE CHAIR MOORE:

Please be seated. I'm going to deliver oral reasons. We reserve the right to edit these reasons and supplement them when we see the transcript.

The agreed facts in the settlement agreement are as follows:

1. The respondent Cowpland is an individual resident of Ontario. At all material times Cowpland was a director and the president and chief executive officer of Corel Corporation. Corel was at all material times a reporting issuer in Ontario.

2. M.C.J.C. is a private company which was incorporated pursuant to the laws of Ontario. At all material times Cowpland was the sole officer, director and shareholder of M.C.J.C.

3. Between August 11, 1997 and August 14, 1997, M.C.J.C. sold 2,431,200 Corel shares for total proceeds of approximately $20.4 million. At the time that these Corel shares were sold, M.C.J.C. had knowledge of a material fact with respect to Corel which had not been generally disclosed. The material fact was that Corel would fall short of its forecasted sales for the third quarter of 1997 ("Q3 1997") by a significant margin.

4. Corel had prepared a forecast for analysts that sales for Q3 1997 were expected to be $94 million U.S. On September 10, 1997 Corel announced losses for Q3 1997 of $32 million U.S. Following the announcement of Corel's loss for the quarter, the price of Corel shares

listed on the Toronto Stock Exchange fell considerably.

5. M.C.J.C. learned of the material fact from Cowpland who, as a director and officer of Corel, was an insider of Corel and therefore in a "special relationship" with Corel as defined in the *Securities Act*. By learning of the material fact from Cowpland, M.C.J.C. was in a special relationship with Corel.

6. Therefore, M.C.J.C., as a company in a special relationship with Corel, sold securities of Corel with knowledge of a material fact about Corel that had not been generally disclosed. In this way, M.C.J.C. contravened subsections 76(1) and 122(1)(c) of the Act.

7. As a director of M.C.J.C., Cowpland acquiesced or permitted the commission of the offence by M.C.J.C. under subsections 76(1) and 122(1)(c) of the Act and therefore contravened subsection 122(3) of the Act.

8. On February 11, 2002, M.C.J.C. pleaded guilty to the offence of insider trading in the Ontario Court of Justice in Ottawa, Ontario and was fined $1 million, which M.C.J.C. has paid.

In the settlement agreement, the respondents agreed to the following sanctions:

1. The respondents will be reprimanded by the Commission.

2. The respondents will make payment to the Commission in the amount of $500,000 such payment to be allocated to such third parties as the Commission may determine for purposes that benefit Ontario investors.

3. Cowpland will not act as a director of a registrant or a reporting issuer for a period of 2 years effective the date of approval of the settlement agreement by the Commission.

4. M.C.J.C. will make payment of $75,000 to the Commission, in respect of a portion of the Commission's costs with respect to this matter, upon the approval of this settlement agreement by the Commission.

We do not approve this settlement agreement as being in the public interest.

We would not usually include a recitation of agreed facts and the proposed sanctions in reasons for not approving a settlement agreement. We have done so with these reasons because counsel for OSC staff and the respondents requested that the portion of this hearing in which the settlement agreement was disclosed and discussed not be in camera; consequently, the contents of the settlement agreement, including the agreed facts and proposed sanctions, are on the public record.

Since we are not approving the settlement agreement, the agreed facts will not be available in any subsequent dealing with this matter, unless they are subsequently agreed to. This is because the terms of the agreement provide that, if it is not approved, it will be without prejudice to OSC staff and the respondents and will not be referred to in any subsequent proceeding. Of course, matters ascertainable outside of the settlement agreement, such as the conviction of M.C.J.C. Holdings Inc. in the Ontario Court of Justice, which is on the public record, are not covered by this restriction in the settlement agreement.

The fact we are not approving the settlement agreement does not preclude the parties from coming back with another settlement agreement so that we can be satisfied that sanctions will have an impact on the respondents and will send the right message.

We cannot approve this settlement agreement based on the admitted facts in the settlement agreement, including an admission of illegal insider trading and knowledge of a material fact, without assurance that the conduct would not reoccur on the part of the respondents. We have a duty to protect the marketplace. But equally, or more, importantly, we want to be sure that the right message is sent so others will be deterred from illegal insider trading.

The settlement of the proceeding before the Commission should not be mixed up by the Commission with the settlement of the quasi-criminal case. The considerations that the Commission has to take into account are different from what the Ontario Court of Justice had to take into account in the other proceeding. This is an administrative proceeding before the Commission. It is not a penal proceeding. We have a duty to consider what is in the public interest. To do that, we have to take into account what sanctions are appropriate to protect the integrity of the marketplace where illegal insider trading has been admitted.

In doing this, we have to take into account circumstances that are appropriate to the particular respondents. This requires us to be satisfied that proposed sanctions are proportionateley appropriate with respect to the circumstances facing the particular respondents. We should not just look at absolute values, e.g. what has been paid voluntarily in other settlements, or what has been found to be appropriate sanctions by way of cease trade orders in other cases.

Of particular significance, we are faced with the fact that there is an admission of illegal insider trading, an admission of knowledge of a material fact, and an admission that the price of the stock declined significantly following the public disclosure of the material fact. We were advised that Cowpland did not understand the materiality of the information and that he did not act out of malice aforethought. However, we are not prepared to make assumptions in favour of the respondents that are not supported by facts before us. Our duty is to be satisfied, on the information provided to us, and not just assertions of counsel, that this settlement agreement is in the public interest.

We believe that if we were to approve this settlement agreement on the agreed facts, members of the public would be entitled to criticize the regulatory system as not looking after investors.

Our duty is to look after investors. We have a duty to take steps to make sure that manipulative or other improper practices in the financial marketplace are not tolerated and that there is a reason for confidence in that marketplace.

Illegal insider trading by its very nature is a cancer that erodes public confidence in the capital markets. It is one of the most serious diseases our capital markets face. If we do not act in the public interest by sending an appropriate message in appropriate circumstances, then we fail in doing our duty.

We have looked at the cases that counsel has provided to us in staffs' submission. They are very helpful. It is appropriate to refer to a few.

In *Mithras Management Ltd. et al* (1988), 11 OSCB 1600, at page 1610 the Commission stated with reference to various sections of the *Securities Act*:

> [T]he role of this Commission is to protect the public interest by removing from the capital markets – wholly or partially, permanently or temporarily as the circumstances may warrant – those whose conduct in the past leads us to conclude that their conduct in the future may well be detrimental to the integrity of those capital markets. We are not here to punish past conduct; that is the role of the courts, particularly under section 118 of the Act. We are here to restrain, as best we can, future conduct that is likely to be prejudicial to the public interest in having capital markets that are both fair and efficient. In so doing, we must, of necessity, look to past conduct as a guide to what we believe a person's future conduct might reasonably be expect to be; we are not prescient, after all.

In *Belteco Holdings Inc. et al* (1998), 21 OSCB 1774, at page 7746 the Commission said:

> [W]e have been referred to decisions of this Commission which indicate that in determining both the nature of the sanctions to be imposed as well as the duration of such sanctions, we should consider the seriousness of the allegations proved; the respondent's experience in the marketplace; the level of a respondent's activity in the marketplace; whether or not there has been a recognition of the seriousness of the improprieties; and whether or not the sanctions imposed may serve to deter not only those involved in the case being considered but any like-minded people from engaging in similar abuses of the capital markets. We have considered all of these factors.

In *Richard Theberge* (2001), 24 OSCB 4033, referring to a voluntary cash contribution which amounted to merely $25,000, although there had occurred deliberate illegal insider trading contrary to advice from the respondent's father not to do it, the Commission said that the sanctions would have a significant impact on the respondent in that particular case: the respondent was unemployed; his previous salary was quite small; and the $25,000 was significant to him.

These cases suggest that we have to measure the significance of proposed sanctions by taking all circumstances into account.

Now, the conduct which has been admitted in the settlement agreement before us is benefiting at the expense of others through illegal insider trading.

In *Larry Woods* (1995), 18 OSCB 4625, at 4627 the Commission said:

> The prohibition on "insider trading", i.e. trading in securities of a reporting issuer with the knowledge of a material fact or material change with respect to the reporting issuer which has not been generally disclosed, is a significant component of the schemes of investor protection and of the fostering of fair and efficient capital markets and confidence in them, that are the cornerstones of the Act. It would be grossly unfair to permit a person who obtains undisclosed information with respect to a reporting issuer because of his relationship with the issuer to trade with the informational advantage this gives him or her....
>
> As well, such activity, if countenanced, would detract from the credibility of our capital markets and lead to the undermining of investor confidence in those markets....Accordingly, an intentional violation of the prohibition is, and must be regarded by the Commission as being, a very serious matter. It is not for us to punish the offence, the courts have already done that. Having found that Woods was guilty of insider trading, what we are now obliged to consider is whether, and if so to what extent, the public interest requires us to intervene to protect the marketplace, and investors in it, from future improper or illegal activities by Woods.

We believe there are three issues we need to consider to form an opinion whether proposed sanctions in the settlement agreement are appropriate based on the admitted facts.

In *Larry Woods* the Commission referred to two of these issues at 6428:

> Both sections of the Act under consideration require us to form an opinion that a decision to sanction is in the public interest. In our opinion there are two issues which require consideration. The first, already mentioned, is whether or not, assuming the conduct is objectionable, there is a reasonable likelihood it will be repeated. The second is whether or not the conduct of the respondents, if objectionable, is such as to bring into question the integrity and reputation of the capital markets in general. These were the tests which we followed in reaching our conclusions.

The third issue was referred to in the *Theberge* case: that is the issue of impact on the respondents. In determining impact, we need to consider all relevant factors in proportion to circumstances relevant to a respondent to be sure sanctions are proportionately appropriate. Such factors may include in varying importance the following: the size of any profit (or loss avoided) from the illegal conduct; the size of any financial sanction or voluntary payment when considered with other factors; the effect any sanction might have on the livelihood of the respondent; the restraint any sanction may have on the ability of the respondent to participate without check in the capital markets; the respondent's experience in the marketplace; the reputation and prestige of the respondent; the shame, or financial pain, that any sanction would reasonably cause to the respondent; and the remorse of the respondent. These are some of the factors that we believe may be relevant in various degrees. There may be others, and perhaps all of the factors we have mentioned would not be relevant in this or another particular case.

However, we are not prepared to approve the settlement agreement before us because we do not have sufficient facts to give us comfort in this particular case, that the proposed sanctions together with the $1 million dollars already paid, are not, to use OSC staff counsel's words in suggesting the contrary, "too light".

Appearance is important. The public record has to reflect all relevant facts to give credibility to any decision that any settlement agreement is in the public interest.

Counsel for OSC staff submitted that *R. v Harper* [2002] O.J. No. 8, was binding on the Commission. She argued that, taking into account the evidentiary difficulties presented by *Harper*, limitations on amounts that could be recovered against Harper, and difficulties in the methodology of calculating gains or avoiding losses from illegal conduct in *Harper*, the proposed settlement agreement was in the public interest.

We accept that *Harper*, although under appeal, is binding on this Commission in proceedings based on Section 122 of the *Securities Act*. However, the proceeding in this case is an administrative proceeding under Section 127 of the *Securities Act*. The Commission itself does not even have the ability to levy a fine. Section 127 requires us to address the public interest, not to punish the respondents.

If the respondents voluntarily enter into a settlement agreement and agree to make a voluntary payment, there is no limit on the amount they may agree to pay. Indeed, they might want to pay a sufficiently large amount in place of some of the sanctions that we might otherwise imposed on them under section 127 if this matter were otherwise to come before us for a hearing on the merits and we were to find against them, to achieve the necessary impact and proportionality referred to previously in these reasons.

Any sanctions that might be proposed in a new settlement as being in the public interest should result in real consequences to illegal conduct that sends a real message, not only to the respondents, but to others, by having a proportional impact on the respondents. Persons engaging in illegal insider trading should not, after the full impact of sanctions are taken into account, be seen to have benefited from their illegal conduct.

Litigants like matters to come to a conclusion. We have not come to a conclusion on this matter. OSC staff is free to bring forward the matter for a hearing. The parties are free to agree to another settlement. If the matter does not go to a full hearing on the merits where everything of interest would be on the public record and there is a new settlement agreement, it should, I suggest, set out a full statement of agreed facts so that all relevant facts would be on the public record if the new agreement were approved.

We would like to thank both counsel for their participation in this hearing. They were well prepared and helpful to the panel.

We understand that the settlement was global in that it covered not only this administrative hearing but also the court proceeding that occurred yesterday, although that proceeding was not conditional on today's proceeding. Accordingly, counsel had a duty at this hearing to remain within the parameters of what had been agreed to in order to obtain the settlement of the court proceeding and to overcome difficult evidentiary matters and differences of opinion with the respondents on the respondents' view of materiality with respect to the consequences on the market of the conduct in question.

In accordance with principles of fairness and independence, of course, the panel of the Commission hearing this matter and OSC staff have not communicated in any way concerning this matter, except in this hearing. Clearly, staff formed its view of the settlement as being in the public interest in the context of the negotiations, and took into account *Harper* (which we do not consider relevant in determining the public interest under Section 127 of the *Securities Act*) and other difficulties and considerations of which this panel was not privy.

Commissioner McLeod: I agree.

Commissioner Adams: I agree.

February 12, 2002.

Approved on behalf of the panel

Paul M. Moore, Vice-Chair

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Rescinding Order
Consolidated Grandview Inc.	05 Feb 02	15 Feb 02		15 Feb 02
Jawz Inc.	20 Feb 02	04 Mar 02		
Minpro International Ltd.	04 Feb 02	15 Feb 02	15 Feb 02	
Scaffold Connection Corporation	05 Feb 02	15 Feb 02	15 Feb 02	
World Sales & Merchandising	04 Feb 02	15 Feb 02	15 Feb 02	

4.2.1 Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Krystal Bond Inc.	19 Feb 02	04 Mar 02			
World Wise Technologies Inc.	19 Feb 02	04 Mar 02			

4.3.1 Lapsed Cease Trading Orders

Company Name	Date of Lapse/Expire
Aludra Inc.	15 Feb 02
Dimensional Media Inc.	19 Feb 02

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Chapter 5

Rules and Policies

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Chapter 6

Request for Comments

THERE IS NO MATERIAL FOR THIS CHAPTER

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesScource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

Exempt Financings

The Ontario Securities Commission reminds issuers and other parties relying on exemptions that they are responsible for the completeness, accuracy, and timely filing of Forms 45-501F1 and 45-501F2, and any other relevant form, pursuant to section 72 of the *Securities Act* and OSC Rule 45-501 ("Exempt Distributions").

Reports of Trades Submitted on Form 45-501F1

Trans. Date	Purchaser	Security	Price ($)	Amount
23Jan02		Acuity Pooled High Income Fund - Trust Units	150,000	14
23Jan02		Acuity Pooled High Income Fund - Trust Units	536,218	14
25Jan02		Acuity Pooled Asset Allocation Fund - Trust Units	156,191	12
29Jan02		Acuity Pooled High Income Fund - Trust Units	625,000	14
25Jan02	Pendleton, Sarah	Arrow Eagle & Dominion Fund - Class "A" Trust Units	100,875	11,515
25Jan02	Brookfield, Jim	Arrow Global MultiManager Fund - Class "A" Trust Units	49,250	4,876
18Jan02 & 25Jan02	4 Purchasers	Arrow Goodwood Fund - Class "A" Trust Units	200,583	18,905
25Jan02	Pendleton, Sarah	Arrow WF Asia Fund - Class "A" Trust Units	100,002	8,474
24jano2	5 Purchasers	Atikwa Minerals Limited - Special Warrants	115,000	575,000
15Jan02	Venture Coaches Fund LP and Nortel Networks Limited	Camelot Content Acquisition Corp. - Series A and B Preferred Shares	150,000,00, 75,000	1,500,000, 75,000 Resp.
31Jan02	7 Purchasers	Canadian Insurance Marketing Inc. - Common Shares	2,312,500	37
11Feb02	Artik Geoscience Limited	CanAlaska Ventures Ltd. - Property Acquisition - Shares	44,000	200,000
21Dec01	18 Purchasers	CastleHill Ventures Limited Partnership II Anne Fund - Limited Partnerhsip Units	1,950,000	1,950
31Jan02	4 Purchasers	Coretec Inc. - Common Shares	3,937,200	1,158,000

Trans. Date	Purchaser	Security	Price ($)	Amount
24Jan02	15 Purchasers	Crescent Point Energy Ltd. - Special Warrants	3,373,752	2,249,168
17Dec01	4 Purchasers	Diabetogen Biosciences Inc. - Class B Preferred Shares and Class B Preferred Shares Warrants	3,350,000	4,466,667
08Feb02	Falzone, Luigi (Gino)	East West Resources Corporation - Options	14,000	100,000
01Jan01 to 31Dec01		Elliott & Page Pooled Canadian Bond Index Fund - Units	7,125,795	715,945
01Jan01 to 31Dec01		Elliott & Page Pooled Bond Fund - Units	27,125,274	2,649,336
01Jan01 to 31Dec01		Elliott & Page Pooled Balanced Fund - Units	25,977	2,587
01Jan01 to 31Dec01		Elliott & Page Pooled Short Term Fund - Units	3,187,380	324,965
01Jan01 to 31Dec01		Elliott & Page Pooled Canadian Index Fund - Units	15,842,262	1,494,259
01Jan01 to 31Dec01		Elliott & Page Pooled U.S. Equity Fund - Units	7,067,147	4,440,722
01Jan01 to 31Dec01		Elliott & Page Pooled U.S. Index Fund - Units	12,494,416	1,123,187
01Jan01 to 31Dec01		Elliott & Page Pooled Canadian Equity Fund - Units	70,499,295	6,414,081
31Jan02	Rikare Management Inc.	Excalibur Limited Partnership - Limited Partnership Units	232,113	10,000
08Feb02	Canadian Imperial Bank of Commerce	Exclamation International Incorporated - Common Shares, Series I Preferred Share	80,000, 1	250,000, 1 Resp.
31Jan02	3 Purchasers	Harbour Capital Foreign Balanced Fund - Trust Units	689,020	4,840
31Jan02	7 Purchasers	Harbour Capital Canadian Balanced Fund - Trust Units	2,146,667	16,914
19Jan02	R. DiBattista Investments Inc. and Delf Investments & Construction Ltd.	Hedman Resources Limited - Common Shares	250,000	1,250,000
04Feb02	Resource Capital Fund L.P.	High River Gold Mines Ltd. - Common Shares	92,658	237,586
29Jan02	10 Purchasers	Intrinsyc Software, Inc. - Special Warrants	5,280,000	2,200,000

Trans. Date	Purchaser	Security	Price ($)	Amount
01Jan01 to 31Dec01		Jarislowsky, Fraser Bond Fund - Units	51,593,845	4,826,365
01Jan01 to 31Dec01		Jarislowsky, Fraser International Pooled Fund - Units	170,195,674	5,941,963
01Jan01 to 31Dec01		Jarislowsky, Fraser Balanced Fund - Units	146,965,599	10,758,828
01Jan01 to 31Dec01		Jarislowsky, Fraser Canadian Equity Fund - Units	132,660,142	6,873,582
01Jan01 to 31Dec01		Jarislowsky, Fraser Taxable Balanced Fund - Units	1,312,522	130,469
01Jan01 to 31Dec01		Jarislowsky, Fraser Bond Fund - Units	51,593,845	4,826,365
01Jan01 to 31Dec01		Jarislowsky, Fraser Special Equity Fund - Units	59,299,568	3,028,578
01Jan01 to 31Dec01		Jarislowsky, Fraser U.S. Equity Fund - Units	7,174,886	722,546
23Jan02	Mackuliak, Dusan and Yary	KBSH Private - Canadian Equity Fund - Units	250,000	16,388
28Jan02	Zacharias, Susan	KBSH Private - US Equity Fund - Units	243,343	14,531
28Jan02	McDonald, Grant & Carol	KBSH Private - Money Market Fund - Units	59,891	5,989
23Jan02	Mackuliak, Dusan and Yary	KBSH Private - Money Market Fund - Units	250,000	25,000
24Dec01	C.I. Fund Management Inc.	Leigh Steinberg, LLC - Special Warrants	6,350,000	1,000,000
30Jan02	6 Purchasers	Mitec Telecom Inc. - Common Shares and Warrants	6,776,019	1,613,338
27Dec01	MVO Investments Ltd.	ReAud Technologies Inc. - Common Shares	250,000	556
25Jan02	1258703 Ontario Limited	ReAud Technologies Inc. - Common Shares	250,000	556
04Dec01		Royal Trust Corporation of Canada, Trustee of McLean Budden Pooled Funds - Units of MB Canadian Equity (Core) Fund	537,885	56,017
04Dec01 & 05Dec01		Royal Trust Corporation of Canada, Trustee of McLean Budden Pooled Funds - Units of MB Private Balanced Fund	651,209.92	61,110

Trans. Date	Purchaser	Security	Price ($)	Amount
01Jan01 to 29Nov01		Royal Trust Corporation of Canada, Trustee of McLean Budden Pooled Funds - Units	73,049,249	73,049,249
04Feb02	Trudell Medical Limited	SiGe Semiconductor Inc. - Class B Preferred Shares	478,999	80,600
01Feb02	9 Purchasers	South American Gold and Copper Company Limited - Units	421,012	10,206,364
14Dec01	7 Purchasers	Tribute Minerals Corporation - Common Shares	165,000	1,650,000
28Jan02	Sentry Select Focused Growth & Income Trust	Ultima Energy Trust - Trust Units	1,505,000	350,000
29Jan02	Sun Life Assurance Company of Canada	Viking Rideau Corporation - 7.35% First Mortgage Bonds, Series B due March 10, 2014	$11,400,000	$11,400,000
28Jan02	CMP 2001 II Resource Limited Partnership and Pollack, Robert	Watch Resources Ltd. - Flow-Through Common Shares	240,000	600,000

Notice of Intention to Distribute Securities and Accompanying Declaration under Section 2.8 of Multilateral Instrument 45-102 Resale of Securities - Form 45-102F3

Seller	Security	Amount
Vandekerkhove, Douglas O.	ACD Systems International Inc. - Common Shares	50,000
Southwestern Resources Corp	Canabrava Diamond Corporation - Common Shares - Amended	2,000,000
Discovery Capital Corporation	CardioComm Solutions Inc. - Common Shares	1,500,000
La Corporation Sigoma Itee, Gestion Francois Duffar inc., Lauren Communication Ltd., Communipro Itee, Concertmedia inc., Communigestart inc., Communication Mens Sana incorporee, Les Investissements Maba Inc.	Cossette Communication Group Inc. - Subordinate Voting Shares	1,831,423
G.P. Metal Products Limited	Glendale International Corp. - Common Shares	100,000
Nextair Inc.	MacMillan Gold Corp. - Common Shares	4,000,000
Stronach, Frank	Magna International Inc. - Class A Subordinate Voting Shares	100,000
Minacs, Elaine	Minacs Worldwide Inc. - Common Shares	250,000

Chapter 9

Legislation

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Advanced Fiber Technologies (AFT) Income Fund
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated February 18th, 2002
Mutual Reliance Review System Receipt dated February 19th, 2002
Offering Price and Description:
$ * - * Units @ $ * per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Capital Markets Inc.
Scotia Capital Inc.
Dundee Securities Corporation
National Bank Financial Inc.
Promoter(s):
CAE Inc.
Project #422237

Issuer Name:
Arctic Glacier Income Fund
Principal Regulator - Manitoba
Type and Date:
Amendment #1 dated February 8th, 2002 to Preliminary Prospectus
Mutual Reliance Review System Receipt dated February 15th, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Securities Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #420212

Issuer Name:
ARISE Technologies Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated February 13th, 2002
Mutual Reliance Review System Receipt dated February 15th, 2002
Offering Price and Description:
$1,000,000 to $3,000,000 - * Units @ $ * per Unit
Underwriter(s) or Distributor(s):
Roche Securities Limited
Promoter(s):
Ian MacLellan
Project #421754

Issuer Name:
Bank of Montreal
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Shelf Prospectus dated February 15th, 2002
Mutual Reliance Review System Receipt dated February 15th, 2002
Offering Price and Description:
$4,000,000,000 - Debt Securities (subordinated indebtedness)
Common Shares
Class A Preferred Shares
Class B Preferred Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #421583

Issuer Name:
Breakwater Resources Ltd.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated February 18th, 2002
Mutual Reliance Review System Receipt dated February 19th, 2002
Offering Price and Description:
Offer of Rights to Subscribe for up to * Common Shares at a Price of $0.* per Common Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #422250

Issuer Name:
Burntsand Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated February 14th, 2002
Mutual Reliance Review System Receipt dated February 14th, 2002
Offering Price and Description:
$15,040,000 - 6,400,000 Common Shares @ $2.35 per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Pacific International Securities Inc.
Promoter(s):
-
Project #421400

Issuer Name:
The Canada Life Assurance Company
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated February 19th, 2002
Mutual Reliance Review System Receipt dated February 19th, 2002
Offering Price and Description:
$ *
Canada Life Capital Securities - Series A (CLiCS - Series A)
Canada Life Capital Securities - Series B (CLiCS - Series B)
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #422454

Issuer Name:
Canada Life Financial Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated February 19th, 2002
Mutual Reliance Review System Receipt dated February 19th, 2002
Offering Price and Description:
$ * -
Canada Life Capital Securities - Series A (CLiCS - Series A)
Canada Life Capital Securities - Series B (CLiCS Series B)
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #422473

Issuer Name:
Casurina Performance Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated February 18th, 2002
Mutual Reliance Review System Receipt dated February 19th, 2002
Offering Price and Description:
$ * - * Units @$20.00 per Unit
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
Desjardins Securities Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Canaccord Capital Corporation
Dundee Securities Corporation
Trilon Securities Corporation
Yorkton Securities Inc.
Promoter(s):
Front Street Capital
Project #422364

Issuer Name:
COMPASS Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated February 15th, 2002
Mutual Reliance Review System Receipt dated February 15th, 2002
Offering Price and Description:
Maximum $ * - * Units @ $10.00 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
HSBC Securities Inc.
Desjardins Securities Inc.
Yorkton Securities Inc.
Middlefield Securities Limited
Dundee Securities Corporation
Raymond James Ltd.
Wellington West Capital Inc.
Canaccord Capital Corporation
Research Capital Corp.
Promoter(s):
Middlefield Group Limited
Middlefield Compass Management Limited
Project #421560

Issuer Name:
Luxell Technologies Inc
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 19th, 2002
Mutual Reliance Review System Receipt dated February 20th, 2002
Offering Price and Description:
$ * - * Common Shares
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
CIBC World Markets Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #422634

Issuer Name:
NCE Strategic Energy Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated February 14th, 2002
Mutual Reliance Review System Receipt dated February 19th, 2002
Offering Price and Description:
$ * - * Trust Units @ $10.00 per Trust Unit
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
CIBC World Markets Inc.
BMO Nesbitts Burns Inc.
TD Securities Inc.
HSBC Securities (Canada) iNc.
Dundee Securities Corporation
Yorkton Securities Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Raymond James Ltd.
FirstEnergy Capital Corp.
Research Capital Corporation
Trilon Securities Corporation
Promoter(s):
-
Project #422054

Issuer Name:
Platinex Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated February 18th, 2002
Mutual Reliance Review System Receipt dated February 19th, 2002
Offering Price and Description:
Up to 2,000,000 Units, each Unit Consisting of one Non-Flow-Through Common Share, one Flow Through Common Share and Two Warrants. A Full Warrant Entitles the Holder to Purchase one Non-Flow-Through Common Share of the Issuer at a Price of $0.75 during the First 18 Months After the Offering Day.
Underwriter(s) or Distributor(s):
Union Securities Ltd.
Promoter(s):
James Trusler
Project #422190

Issuer Name:
Vincor International Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated February 19th, 2002
Mutual Reliance Review System Receipt dated February 19th, 2002
Offering Price and Description:
$120,078,750 - 5,325,000 Common Shares @$22.55 per Common Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
Merrill Lynch Canada Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
TD Securities Inc.
Raymond James Ltd.
Promoter(s):
-
Project #422329

Issuer Name:
WestJet Airlines Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated February 18th, 2002
Mutual Reliance Review System Receipt dated February 18th, 2002
Offering Price and Description:
$68,750,000 - 2,500,000 Common Shares @ $27.50 per Common Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
RBC Dominion Securities Inc.
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #422148

Issuer Name:
Hi Alta Capital Inc.
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated February 14th, 2002
Mutual Reliance Review System Receipt dated 19th day of February, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Jennings Capital Inc.
Promoter(s):
-
Project #412489

Issuer Name:
Northgate Exploration Limited
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated February 18th, 2002
Mutual Reliance Review System Receipt dated 19th day of February, 2002
Offering Price and Description:
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
CIBC World Markets Inc.
TD Securities Inc.
Trilon Securities Corporation
Promoter(s):

Project #417065

Issuer Name:
Northgate Exploration Limited
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated February 18th, 2002
Mutual Reliance Review System Receipt dated 18th day of February, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #417071

Issuer Name:
TD TSE 300 Capped Index Fund
TD TSE 300 Index Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated February 15th, 2002
Mutual Reliance Review System Receipt dated 15th day of February, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Asset Management Inc.
Promoter(s):
-
Project #413350

Issuer Name:
Yes Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Final Prospectus dated February 8th, 2002
Mutual Reliance Review System Receipt dated 13th day of February, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation

Promoter(s):
-
Project #407922

Issuer Name:
BCE Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated February 14th, 2002
Mutual Reliance Review System Receipt dated 14th day of February, 2002
Offering Price and Description:

Underwriter(s) or Distributor(s):
TD Securities Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
HSBC Securities (Canada) Inc.
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #419362

Issuer Name:
BCE Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Shelf Prospectus dated February 14th, 2002
Mutual Reliance Review System Receipt dated 14th day of February , 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #419438

Issuer Name:
Intertape Polymer Group Inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated February 19th, 2002
Mutual Reliance Review System Receipt dated 20th day of February, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
HSBC Securities (Canada) Inc.
CIBC World Markets Inc.
TD Securities Inc.
Promoter(s):
-
Project #420585

Issuer Name:
IPSCO Inc.
Principal Regulator - Saskatchewan
Type and Date:
Final Short Form Prospectus dated February 19th, 2002
Mutual Reliance Review System Receipt dated 20th day of February, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Securities Inc.
RBC Dominion Securities Inc.
Merrill Lynch Canada Inc.
CIBC World Markets Inc.
UBS Bunting Warbury Inc.

Promoter(s):
-
Project #420890

Issuer Name:
Morguard Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated February 14th, 2002
Mutual Reliance Review System Receipt dated 14th day of February, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Securities Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
Trilon Securities Corporation
Promoter(s):
-
Project #418790

Issuer Name:
Pan American Silver Corp.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Shelf Prospectus dated February 19th, 2002
Mutual Reliance Review System Receipt dated 20th day of February, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #420547

Issuer Name:
PANGEO PHARMA INC.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated February 13th, 2002
Mutual Reliance Review System Receipt dated 13th day of February, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Griffiths McBurney & Partners
Dundee Securities Inc.
Yorkton Securities Inc.
TD Securities Inc.
Octagon Capital Corporation
Promoter(s):
-
Project #418245

Issuer Name:
Royal Host Real Estate Investment Trust
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated February 13th, 2002
Mutual Reliance Review System Receipt dated 13th day of February, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):

Project #419583

Issuer Name:
Transat A.T. inc.
Principal Regulator - Quebec
Type and Date:
Final Short Form Prospectus dated February 13th, 2002
Mutual Reliance Review System Receipt dated 14th day of February, 2002
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Natinal Bank Financial Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #418456

Issuer Name:
All - Canadian Resources Corporation
All - Canadian ConsumerFund
All - Canadian CapitalFund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated February 7th, 2002
Receipt dated 14th day of February, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):

Promoter(s):

Project #411253

Issuer Name:
BMO RSP Global Technology Fund
BMO RSP Global Health Sciences Fund
BMO RSP NASDAQ Index Fund
BMO RSP Global Financial Services Fund
BMO RSP Global Opportunities Fund
BMO RSP Global Balanced Fund
BMO Global Bond Fund
(Series A, F and O Units)
BMO Global Technology Class
BMO Global Health Sciences Class
BMO Global Financial Services Class
BMO Global Opportunities Class
BMO Global Balanced Class
BMO Short-Term Income Class
(Series A, F and O Shares)
BMO AIR MILES Money Market Fund
BMO RSP Japanese Fund
BMO RSP Global Science & Technology Fund
BMO RSP European Fund
BMO RSP International Index Fund
BMO Monthly Income Fund
BMO U.S. Dollar Equity Index Fund
BMO U.S. Dollar Bond Fund
BMO U.S. Dollar Money Market Fund
BMO Premium Money Market Fund
BMO U.S. Value Fund
BMO U.S. Special Equity Fund
BMO U.S. Growth Fund
BMO RSP U.S. Equity Index Fund
BMO T-Bill Fund
BMO Special Equity Fund
BMO Resource Fund
BMO Precious Metals Fund
BMO NAFTA Advantage Fund
BMO Mortgage Fund
BMO Money Market Fund
BMO Latin American Fund
BMO Japanese Fund
BMO International Equity Fund
BMO International Bond Fund
BMO Equity Fund
BMO Global Science & Technology Fund
BMO Far East Fund
BMO European Fund
BMO Equity Index Fund
BMO Emerging Markets Fund
BMO Dividend Fund
BMO Bond Fund
BMO Asset Allocation Fund
(Units)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated February 12th, 2002
Mutual Reliance Review System Receipt dated 19th day of February, 2002
Offering Price and Description:

Underwriter(s) or Distributor(s):
BMO Investments Inc.
First Canadian Funds Inc.
Promoter(s):
BMO Investments Inc.
Project #413780

Issuer Name:
Premium Canadian Income Fund
Premium Global Income Fund
Mulvihill Canadian Bond Fund
Mulvihill Canadian Money Market Fund
Mulvihill Canadian Equity Fund
Mulvihill U.S. Equity Fund
Mulvihill Global Equity Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated February 19th, 2002
Mutual Reliance Review System Receipt dated 20th day of February, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):
Mulvihill Capital Management Inc.
Promoter(s):
Mulvhill Fund Services Inc.
Project #415229

Issuer Name:
Norrep II Fund Inc.
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus and Annual Information Form dated February 15th, 2002
Mutual Reliance Review System Receipt dated 20th day of February, 2002
Offering Price and Description:
Mutual Fund Securities Net Asset Value
Underwriter(s) or Distributor(s):

Promoter(s):

Project #404812

Issuer Name:
Radiant Energy Corporation
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Prospectus dated September 25th, 2001
Withdrawn on February 13th, 2002
Offering Price and Description:
US$9,351,100 - issue of 14,026,665 Transferable Rights to Subscribe for up to 93,511 Series B Redeemable Convertible Debentures at a price of US$100.00 per Debenture
Underwriter(s) or Distributor(s):
Brant Securities Limited
Promoter(s):
-
Project #390917

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Chapter 12

Registrations

12.1.1 Registrations

Type	Company	Category of Registration	Effective Date
New Registration	Vanguard Marketing Corporation Attention: Marlene Davidge Torys Maritime Life Tower Suite 3000 Box 270 TD Centre Toronto ON M5K 1N2	International Dealer	Feb 15/02
Change in Category (Categories)	ASL Direct Inc. Attention: Adrian Samuel Leemhuis 145 Front St East Suite 203 Toronto ON M5A 1E3	From: Mutual Fund Dealer To: Mutual Fund Dealer Limited Market Dealer	Feb 13/02
Change in Category (Categories)	Thomas Weisel Partners LLC Attention: Kenneth G. Ottenbreit Commerce Court West 53rd Floor PO Box 85 Toronto ON M5L 1B9	From: International Dealer To: International Dealer International Adviser Investment Counsel & Portfolio Manager	Feb 15/02

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 Margin Requirements for Bonds With Embedded Options - IDA

INVESTMENT DEALERS ASSOCIATION OF CANADA – MARGIN REQUIREMENTS FOR BONDS WITH EMBEDDED OPTIONS

I OVERVIEW

A CURRENT RULE(S)

Regulation 100, Margin Requirements, does not differentiate between plain-vanilla bonds and bonds with embedded options.

B THE ISSUE(S)

The margin requirements for bonds with embedded options, under certain circumstances, are greater than the risks associated with them. To elaborate, a bond with an embedded option trades in the market according to the date associated with its embedded option rather than its original maturity date when its price suggests that the option will likely be exercised.

Effectively, market traders use the date associated with the embedded option to determine a new term to maturity for these bonds. In addition, the embedded options in these bonds affect which securities market traders normally use to hedge their positions and Regulation 100 does not recognize these risk reduction positions.

C OBJECTIVES

The objective of the proposed amendment is to set capital and margin requirements for bonds with embedded options relative to their risks for both naked and hedged positions.
The bonds with embedded options that would be affected are callable bonds, retractable bonds and extendible bonds and Regulation 100 should be amended to reflect their dynamic characteristics.

D PROPOSED RULE AMENDMENTS – EXECUTIVE SUMMARY

The amendment to Regulation 100, as set out in Attachment #1, would allow member firms to use the callable date, retractable date and the extendible date associated with the bond with the embedded option in determining the term to maturity to establish the margin required when the price suggests the option will likely be exercised.
By-law 1 would also be amended to provide definitions for the terms used in the above amendment to Regulation 100.

E EFFECT OF PROPOSED RULE AMENDMENT

Market Structure

The amendment will not affect the market structure because market traders normally use the date associated with the embedded option in determining the term to maturity when the bond's price suggests the option will be exercised.

Competitive Environment

The competitive environment will not be affected for the reason mentioned above.

II DETAILED ANALYSIS

A CURRENT RULES AND RELEVANT HISTORY

Regulation 100.2 sets margin requirements for bonds, debentures, treasury bills and notes but does not distinguish between plain-vanilla bonds and bonds with embedded options. The margin requirements prescribed to bonds are dependent on a number of factors including type, credit rating, price and term to maturity of issue. With all other factors being equal, the greater the term to maturity the higher is the margin required.

Because the regulation determines a bond's term to maturity by considering the original maturity date, a bond with an embedded option whose price suggests that its option will be exercised before the original maturity date would not be considered to have a shorter term to maturity. Consequently, because the shorter term to maturity is not recognized by the regulation, the bond with an embedded option is subject to a higher margin rate compared to its risk.

B COMPARISON WITH SIMILAR PROVISIONS

United States

In the United States, the capital and margin requirements for bonds with embedded options are the same as for plain vanilla bonds. As a result, much of trading in the United States in bonds with embedded options and other sophisticated debt instruments takes place in organizations that are not subject to regulation. As a result, positions held in these instruments are not subject to any capital and margin requirements.

United Kingdom

In the United Kingdom, securities with embedded options are considered instruments with non-standard characteristics and therefore the Financial Services Authority requests consultation before firms apply any of the Financial Services Authority's capital and margin methodologies.

C SYSTEMS IMPACT OF RULE

The proposed rule does not require member firms to modify their systems because it is at their election to utilize the lower margin requirements offered to these securities.

D PROPOSED RULE AMENDMENTS – DETAILED ANALYSIS

The proposal addresses debt securities described in Regulation 100.2 that have embedded options with callable, extendible and retractable features.

The amendment to Regulation 100.2, would give member firms, for capital and margin purposes, the alternative of making the maturity date on the bond with an embedded option equal to either the original maturity date or the date associated with the terms of the option. The amendment also details, for each type of bond with an embedded option, the circumstances under which the election may be made. The circumstances used were based on the likeliness that the option would be exercised.

The amendment to By-law 1 would add definitions associated with callable, extendible and retractable bonds. In particular, the following six definitions would be inserted in By-law 1: callable debt security; call protection period; extendible debt security; extension election period; retractable debt security and retraction election period.

E PURPOSE(S) OF PROPOSAL (PUBLIC INTEREST OBJECTIVE)

According to subparagraph 14(c) of the Association's Order of Recognition as a self-regulatory organization, the Association shall, where requested, provide in respect of a proposed rule change, "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effect of the proposed amendment with respect to the capital and margin requirements for bonds with embedded options. The purpose of this proposal is to amend the capital and margin requirements for bonds with embedded options to better reflect the risks associated with these unique debt securities. Consequently, the proposed amendments are considered to be in the public interest.

III COMMENTARY

A FILING IN ANOTHER JURISDICTION

The proposed amendments will be filed for approval in Alberta, British Columbia, Saskatchewan and Ontario. In addition, they will be filed for information purposes in Nova Scotia.

B EFFECTIVENESS

As stated above, the purpose of the proposal is to better align the capital and margin requirements of bonds with embedded options to their risk in both naked and hedged positions. It is believed that the amendment would capture the dynamic nature of bonds with embedded options as well as set margin requirements that correspond to their risk.

C PROCESS

This proposal was developed at the Financial Administrators Section ("FAS") Capital Formula Subcommittee. In addition, it was reviewed and recommended by the FAS Executive and finally by the FAS itself.

IV SOURCES

The Association's rulebook, Regulations 100.2 & 100.4 and By-law 1.
The United Kingdom's SFA-RB-10-41-Instruments of non-standard form, Guidance.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying rule amendments so that the issue referred to above may be considered by OSC staff.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed rule amendments. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Answerd Ramcharan, Information Analyst, Regulatory Policy, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Answerd Ramcharan
Information Analyst, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-5850
aramcharan@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA MARGIN REQUIREMENTS FOR BONDS WITH EMBEDDED OPTIONS

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. By-law 1 is hereby amended by adding the following definitions:

   ""callable debt security" means a security described in Regulation 100.2A(a), which allows the issuer to redeem the security at a fixed price (the call price), subject to the call protection period;

   "call protection period" means the period of time during which the issuer cannot redeem a callable debt security;

   "extendible debt security" means a security described in Regulation 100.2A(b), which allows the holder, during a fixed time period, to extend the maturity date of the security to the extension maturity date, and to change the principal amount of the security to a fixed percentage (the extension factor) of the original principal amount;

   "extension election period" means the period of time during which the holder may elect to extend the maturity date and change the principal amount of, an extendible debt security;

   "retractable debt security" means a security described in Regulation 100.2A(c), which allows the holder of the security, during a fixed time period to retract the maturity date of the security to the retraction maturity date, and to change the principal amount of the security to a fixed percentage (the retraction factor), of the original principal amount.

   "retraction election period" means the period of time during which the holder may elect to retract the maturity date, and change the principal amount of, a retractable debt security;"

2. Regulation 100.2A is enacted as follows:

   "For purposes of the Regulation 100 and By-law 17.13,

   (a) a callable debt security may, at the Member's election, be deemed to have a maturity date equal to

      (i) the original maturity date, if the market price of the callable debt security is trading at or below 101% of the call price; or

      (ii) the earliest trade date after the call protection period, if the market price of the callable debt security is trading above 101% of the call price.

   (b) an extendible debt security may, at the Member's election, be deemed to have a maturity date equal to

      (i) the original maturity date, if the extension election period has not expired and the market value of the extendible debt security is trading at or below the extension factor times the current principal amount;

      (ii) the extension maturity date, if the extension election period has not expired and the market value of the extendible debt security is trading above the extension factor times the current principal amount; or

      (iii) the original maturity date, if the extension election period has expired.

   (c) a retractable debt security may, at the Member's election, be deemed to have a maturity date equal to

      (i) the original maturity date, if the retraction election period has not expired and the market value of the retractable debt security is trading at or above the retraction factor multiplied by the current principal amount;

      (ii) the retraction maturity date, if the retraction election period has not expired and the market value of the retractable debt security is trading below the retraction factor times the current principal amount; and

      (iii) the original maturity date, if the retraction period has expired."

PASSED AND ENACTED BY THE Board of Directors this 16th day of January 2002, to be effective on a date to be determined by Association staff.

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Chapter 25

Other Information

THERE IS NO MATERIAL FOR THIS CHAPTER

IN THIS ISSUE

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